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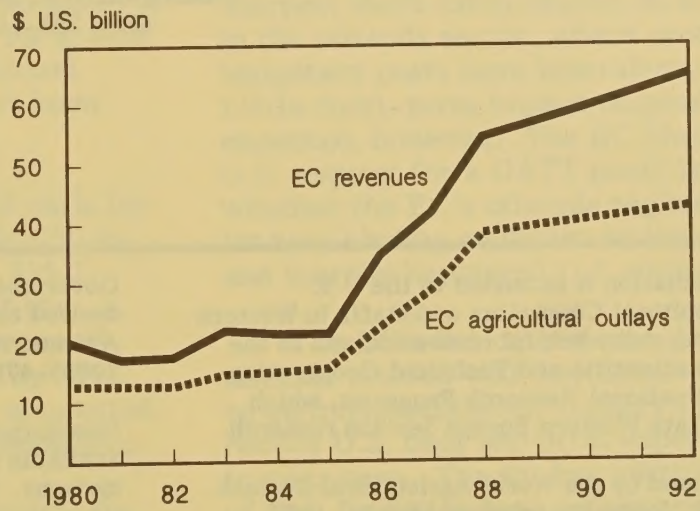
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Western Europe

Agriculture and Trade Report

Situation and Outlook Series

More Money for EC Agriculture



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SUMMARY

European Community (EC) agricultural production was up slightly in 1987. Grain production increased marginally, but was still almost 11 percent below the record 1984 crop. Adverse weather lowered grain quality and yields. Oilseed production increased sharply, with record harvests of rapeseed, sunflowerseed, and soybeans. Total EC red meat and poultry production edged up slightly. Tightened dairy quotas contributed to a 4-percent drop in milk production.

The EC remains the largest market for U.S. agriculture. U.S. agricultural exports to the EC were valued at \$6.8 billion in calendar 1987, up 3.2 percent over 1986, but still well below levels of the early 1980's. Exports of soybeans, feeds and fodders, and fruits and preparations all increased. Grain and feed exports increased in volume, but fell in value as prices declined.

The outlook for 1988 is for continued recovery of U.S. agricultural exports to the EC, with growth of about 5 percent. Attractive U.S. prices, favorable exchange rates, and continued EC economic growth are all expected to contribute to the upturn.

Recent EC reforms will provide increased revenue to pay for agricultural support, while establishing a system of stabilizers to limit future commodity price support and budget exposure. A land set-aside program for grains has also been agreed to, although national rules for implementation have not yet been decided upon.

The proposed EC budget for 1988 calls for a record \$38.1 billion (31.04 billion ECU's) in agriculture-related outlays, up from \$15.7 billion in 1985. The EC forecasts that the reformed basis for budget contributions will provide \$65 billion in annual revenue by 1992. Agricultural support has historically accounted for about 70 percent of total EC expenditures.

The EC Commission's price proposals for 1988/89 call for agricultural support prices for most grains and oilseeds to be frozen in ECU terms. Under the proposal, average farm support prices would increase slightly in national currencies because of the way that

exchange rates for agricultural products operate within the European Monetary System (EMS).

EC producer prices for some commodities would actually fall because of the new stabilizers and proposed changes in the way the support price (intervention) system operates. Oilseed producers will see the sharpest price drop, although large profit margins mean that this may have little impact on supply. Part of the effective reduction in grain prices under the program is to be refunded if the 1988 crop does not exceed the maximum guaranteed quantity (MGQ) of 160 million metric tons.

Analysis of the potential long-term impacts on EC wheat surpluses of the stabilizers and set-aside programs shows that the programs could potentially be made effective. The crucial point will be national governments' willingness to make set-asides attractive enough to get producers to participate. The impact of the stabilizer program, which calls for automatic price reductions when production exceeds an MGQ of 160 million tons of grain annually, will be limited by a provision that limits grain price reductions to 3 percent annually.

EC stabilizers are expected to have the sharpest short-term impact on support prices in the oilseeds sector, where production and budgetary costs have been skyrocketing. Little short-term impact on production is expected, however. The EC blocked a recent U.S. request for a GATT panel to examine whether the EC's oilseeds regime has offset its zero binding on duties on imported oilseeds, and thereby hampered U.S. exports.

The EC's ban on imports of meat from animals treated with hormonal substances, due to be implemented on January 1, 1989, could reduce U.S. beef and offal exports to the EC to near zero. The EC has certified a number of U.S. facilities for conformance with EC inspection procedures under the third-country meat directive. Nonetheless, some plants that previously exported will no longer be able to do so without costly modifications.

U.S. exports of high value products (HVP's) reached a record 40 percent of total U.S. agricultural exports in 1986 and 1987, while in the EC, HVP's were about three-fourths of the total. The United States and EC are major competitors in many HVP markets. Among other factors, a weaker dollar and lower prices resulting from the U.S. Export Enhancement Program (EEP), Targeted Export Assistance (TEA), and Dairy Export Incentive Program (DEIP) are making U.S. HVP's relatively more attractive in many world markets.

EC agricultural producers of selected commodities received government support equivalent to nearly half their total revenue during 1986. Recent updates of producer

subsidy equivalents (PSE's) show that the EC was second only to Japan in the level of support provided to producers. Proposals in the Uruguay Round of Multilateral Trade Negotiations (MTN's) suggest different uses for PSE's and alternative measures of aggregate levels of agricultural protection.

An EC Commission proposal to provide incentives for increased cereal use in animal feeds could lead to reduced U.S. exports of nongrain feed ingredients, especially corn gluten feed. EC interest in harmonizing protection levels for grains, oilseeds, and nongrain feeds is likely to be an important trade issue between the United States and EC in GATT negotiations.

A NOTE TO READERS

The *Western Europe Agriculture and Trade Report*, part of the Regional Situation and Outlook Series, has a new name, a new focus and a different format. The new format brings you highlights of policy, production and trade developments; a collection of special articles presenting more in-depth analysis of grain, oilseeds, and livestock policy developments; and special articles on nongrain feeds, high-value products, and developments in European Community agricultural protection and the Uruguay Round of Multilateral Trade Negotiations. Most articles are based on recent analysis for which more detailed reports are or will soon be available.

The statistical portion of the report has been revised too. Data on commodity area,

production and yield, imports and exports of individual European countries, the EC-10 and EC-12, and other Western Europe, comparable to that in previous issues, are still included. In addition, country and regional market shares by commodity group are presented for U.S. exports and imports.

The new approach to the *Western Europe Agriculture and Trade Report* reflects an effort to provide more timely, in-depth analysis, and respond to resource constraints, including staff reductions. Reader comments are invited.

Mark D. Newman
Head, Western Europe Section

MAJOR EUROPEAN COMMUNITY POLICY, PRODUCTION, AND TRADE HIGHLIGHTS

EC Leaders Agree to More Money For the CAP, Agricultural Stabilizers, and Set-Asides

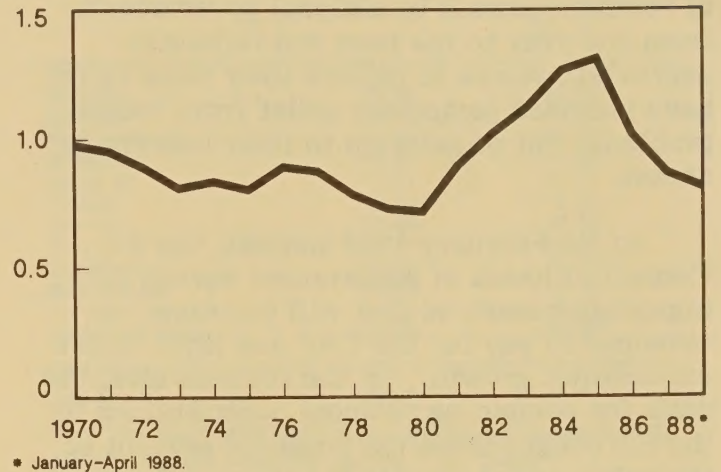
On February 13, 1988, heads of state and government of the 12-member European Community (EC) adopted a budget reform and agricultural policy package that provides a major infusion of revenue for the Community's coffers, while limiting future growth in Common Agricultural Policy (CAP) expenditures. The agreement also puts in place a series of measures designed to limit future price support and budget exposure in a wide range of commodity sectors, and provides for land set-aside programs.

EC outlays for support of agriculture have grown from \$15.7 billion in 1985 to a proposed \$38.1 billion in 1988. This represents a 50-percent increase in outlays in European Currency Unit (ECU) terms, and the impact of a 38-percent decline in the value of the U.S. dollar. Direct outlays by the 12 national governments of EC members are not included in these figures.

The share of the EC budget devoted to grains and oilseeds (excluding olive oil) has

Value of the U.S. Dollar in European Currency Units

ECU's per \$

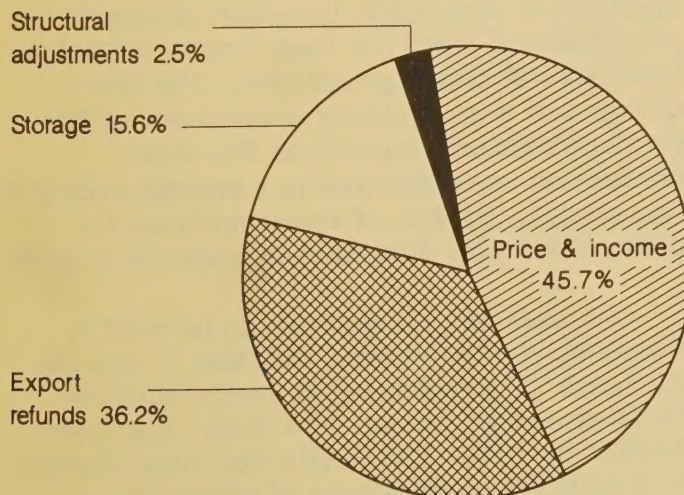


grown from 17 percent in 1985 to a forecast 29 percent for 1988.

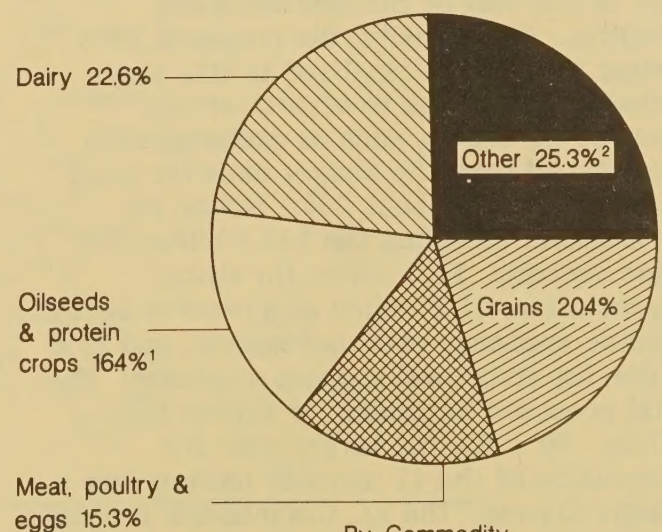
During the same period, the shares of expenditures on dairy, meat, poultry and eggs have fallen, even though actual outlays on these sectors increased (see figure).

In recent years, EC member nations have increased their contributions to the EC budget at regular intervals. With the fall in the value of the dollar, lower world commodity prices pushing up the cost of EC export refunds and processing subsidies, and enlargement of the

Proposed EC Agricultural Outlays, 1988



By Support Mechanism



By Commodity

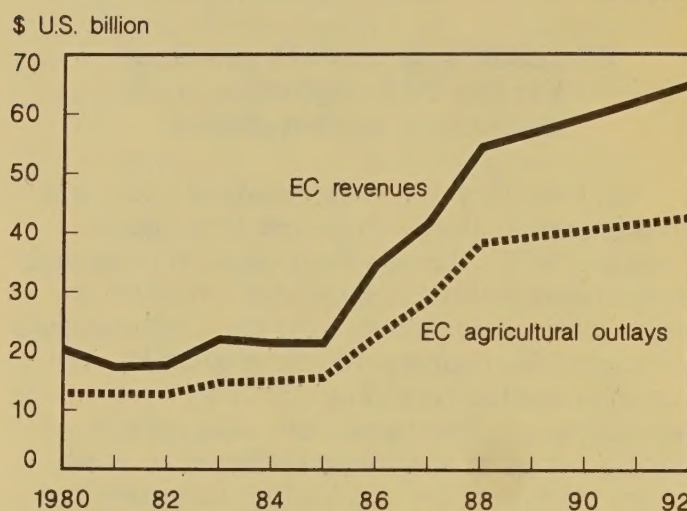
1/ Includes rapeseed, sunflowerseed, soybeans, flaxseed, olive oil (5%), and protein crops (2.5%). 2/ Includes sugar (6.8%), textile fibers (1.7%), fruits and vegetables (3.9%), wine (5.1%), tobacco (3.2%), and some structural outlays.

EC to include Spain and Portugal in 1986, budgetary pressure has continued to grow. Special accounting procedures, such as delay of reimbursements to national governments from one year to the next and failure to depreciate stocks to reflect their sales value, have provided temporary relief from budget problems, but no solution to their underlying causes.

At its February 1988 summit, the EC Council of heads of government agreed to important measures that will increase revenues to pay for the CAP and limit future expenditure growth. On the revenue side, the basis for computing national contributions to the EC budget is shifted from 1.4 percent of the value-added tax (VAT) base to 1.2 percent of Gross National Product (GNP), equivalent to about 2.0 percent of the VAT base. Once member nation parliaments ratify the new funding agreements, significantly more money will be available to pay for EC programs, of which the CAP makes up about 70 percent. The EC budget is also supported by collections of customs duties, import levies on agricultural products, and levies on sugar and isoglucose.

On the outlay side, spending on the "guarantee" (or price support) portion of the CAP was limited to \$33.8 billion (27.5 billion ECU's) for 1988, with future annual growth limited to 74 percent of GNP growth (if GNP increases by 1 percent, guarantee spending can increase by 0.74 percent). Structural support measures and costs of depreciating public stocks remain outside this guideline, as does part of the cost of the new set-aside program. Additionally, the proposed 1988 budget likely to be finalized in late May, includes \$1.2 billion to offset certain unexpected events, such as exchange rate shocks. All told, the budget calls for total commitments of about \$38.1 billion for agriculture, including the \$33.8 billion for price supports, \$1.5 billion for stock depreciation, \$1.2 billion as a reserve against adverse exchange rate movements, and \$1.6 billion for structural support measures. The total proposed EC budget is almost \$55 billion. By 1992, the target year for integration of the 12 member nations into a "Single Europe," the EC Commission forecasts that the limit on EC agricultural expenditures will rise to almost \$43 billion in 1988 dollars.

More Money for EC Agriculture



The EC leaders also agreed to a set of policy measures aimed at limiting expenditure growth on a wide range of agricultural commodities. For grains, they set up a limited system of automatic price stabilizers, which requires that if production exceeds a maximum guaranteed quantity (MGQ) of 160 million tons, support prices shall be reduced in the following season by 3 percent. For oilseeds, support prices are to be reduced in the year that production is forecast to exceed the maximum guarantee quantities.

A land set-aside program, jointly paid for by the EC and member governments, and a new producer coresponsibility levy (tax) on grains, in addition to the one already in place, were provided for. The EC regulations providing for the set-aside program were approved in late April; however, national programs and rules for their implementation have not yet been agreed upon. Further details and a preliminary assessment of the package's future impacts on EC wheat production are presented in a special article in this report. Details of the stabilizers for oilseeds are also discussed in a special article.

At the next EC summit, to be held in Hanover, West Germany, on June 27 and 28, EC heads of government are scheduled to focus on the EC target of a single European Market by 1992. The single European Market Act calls for eliminations of remaining barriers to movement of goods, services, and people among the 12 member nations of the EC, making the EC a truly Common Market. Support prices for 1988/89 may also be on the agenda.

1988/89 Price Proposals

The EC Commission unveiled its support price package for 1988/89 on March 23 (See appendix table 8). EC Agriculture Ministers are unlikely to reach final agreement on support prices and accompanying monetary system adjustments until after the French elections in June. In the aggregate, the proposals would freeze agricultural support price levels in ECU terms and increase them 0.31 percent in national currencies. This is possible because "green" (agricultural) exchange rates differ from general exchange rates within the European Monetary System (EMS).

Producers in Greece, Spain, and Portugal would see small nominal price increases, with Italian and French producers facing slight decreases. Ministers will face considerable pressure to use exchange rate realignment to push up prices in national currencies, offsetting the price freeze in ECU's. Price

National effects of proposed 1988-89 EC price package

	Percentage change ^{1/}	
	In ECU ^{2/}	In nation currency ^{2/, 3/}
Belgium	+0.00	+0.00
Denmark	+0.00	+0.00
West Germany	+0.00	+0.00
Greece	-0.63	+6.93
Spain ^{4/}	+1.01	+1.01
France	-0.04	-0.04
Ireland	+0.00	+0.00
Italy	-0.31	-0.31
Luxembourg	+0.00	+0.00
Netherlands	+0.00	+0.00
Portugal ^{4/}	+0.72	+0.72
United Kingdom	+0.00	+0.00
Eur 12 ^{4/}	+0.00	+0.31

^{1/} Percentage variation between proposed support prices for 1988/89 and those for 1987/88. ^{2/} Support (intervention or equivalent) prices, weighted according to share of various products in value agricultural production covered by common prices. ^{3/} Common prices in ECU converted at green rates in the Commission proposal.

^{4/} Including effect of alignment of Spanish and Portuguese prices with those in the EC-10 under accession arrangements.

Source: Commission of the European Communities Com (88) 120 final.

The European Community

The original six members of the European Community (EC), formed in 1957, were Belgium, France, Italy, Luxembourg, the Netherlands, and West Germany. Denmark, Ireland, and the United Kingdom joined in 1973. Greece followed in 1981. In 1986, Spain and Portugal joined to form the current EC-12.



changes in Spain and Portugal also reflect alignment of their support prices with those of the EC-10 as part of the transition begun with EC membership in 1986.

Support prices for grains and oilseeds would be frozen, except for Durum wheat, for which intervention prices would be reduced by 5.2 percent and the production aids increased 12.52 percent. The Commission indicates that these changes should offset each other, although some producer organizations disagree.

The proposal calls for government intervention agencies to again stand ready to purchase grain, regardless of prices in major markets. During 1987/88, intervention purchases were only made when major market prices were below intervention prices. Actual purchase prices are to be 94 percent of the intervention (support) price, as in 1987/88. Monthly increments in intervention prices, designed to offset storage and carrying costs, would be cut in half, reducing the attractiveness of sales into intervention as the marketing year progresses.

Assistance for small producers (defined in the proposal as those with less than 50 acres, but still the subject of considerable debate among EC member nations) would be expanded to take account of the increased coresponsibility levy. The proposal also calls for a financial incentive for increased use of cereals in animal feeds, to be paid for with part of the coresponsibility levy (see special article on nongrain feeds). [Mark D. Newman (202) 786-1610]

Highlights of EC Commodity Production and Trade 1/

GRAIN

Despite a slight decline in total grain area, EC-12 grain production increased fractionally in 1987, although still almost 11 percent below the record 1984 crop. Wheat area increased for the third consecutive year, while feed grain area declined. Of the coarse grains, barley showed the largest decline in area, followed by corn and oats.

1/ For specific production, trade and market share data, see appendix tables.

Adverse weather lowered the quality and yield of the wheat and rice harvests. Yields for feed grains improved slightly. The result was a slight increase in corn and barley production and somewhat smaller wheat and rice crops in 1987. USDA forecasts the 1988 EC wheat and feed grain crop at 158.5 million tons, with increases expected for soft wheat and barley.

EC imports of grains (excluding rice) for 1987/88 are estimated at 6.1 million tons, up 5 percent from the previous year but less than half the volume imported only 3 years earlier. Coarse grains are expected to account for two-thirds of the increase, with wheat making up the remainder. EC imports of sorghum rose dramatically in 1987, mainly from Sudan, which benefits from a 50-percent reduction in the variable levy as part of an agreement under the Lome Convention. U.S. sales of sorghum are expected to rise in 1987/88 as a result of the U.S.-EC enlargement agreement. [Walter H. Gardiner (202) 786-1610]

OILSEEDS

Oilseeds production increased sharply over 1986 levels, due to record harvests of rapeseed, sunflowerseed, and soybeans. Production increases were largely the result of increased planted acreage, which rose 25 percent from last year's record. Rapeseed and sunflowerseed yields also rose from 1986 levels, by 11 percent and 5 percent, respectively. Increased domestic production has resulted from high oilseed support prices and adoption of improved rapeseed varieties.

U.S. exports of soybeans to the EC-12 rose by 1.1 percent in fiscal 1987 over the previous year's levels. U.S. shipments benefited from high crush margins in Europe, resulting primarily from strong meal demand from livestock feeders. The U.S. share of the soybean market also rose, as a result of a poor South American crop and a weaker dollar, which made the U.S. product more competitive abroad. U.S. exports of soybean meal rose by 23 percent because of strong demand for meal and reduced competition from the South American product. Vegetable oil shipments to the Community declined by about 40 percent owing to continued growth in EC production of sunflower oil and rapeseed oil. [Mary Anne Normile (202) 786-1610]

LIVESTOCK

Total EC-12 red meat production edged up slightly in 1987, accompanied by a similar increase in poultry production. Tightening of dairy quotas contributed to a 4-percent drop in milk production.

The outlook for livestock continues to be dominated by policy issues related to dairy and beef (see special article). The hormone ban is still scheduled to go into effect on January 1, 1989. If implemented, it will effectively prohibit U.S. exports of beef and variety meats from ruminants to the EC. In the event that conflict over the hormone ban is resolved, administration of both the EC's Third-Country Meat Directive, requiring that U.S. plants be approved by EC meat inspectors in order to export, and the U.S. quota for high quality beef could still hamper U.S. trade with Europe.

Dairy quotas are expected to remain after 1990, but cuts in the herd will not be nearly as dramatic as the years immediately following their implementation in 1984.

Pork production continues to edge up slightly in the EC-12, though environmental issues in Denmark and the Netherlands could affect future production.

Poultry production growth is expected to continue at high levels, while poultry exports will be maintained or increased with aid from national governments in addition to EC export subsidies. *[David R. Kelch (202) 786-1610]*

EC-12 Trade and Market Shares

The EC-12 remains the largest market for U.S. agriculture. U.S. agricultural exports to the EC were valued at \$6.8 billion in both fiscal and calendar 1987, up 3.2 percent over calendar 1986 and 5 percent above fiscal 1986, but still below levels of the early 1980's. Exports of soybeans, feeds and fodders, and fruits and preparations all increased. Grain and feed exports increased in volume, but fell in value as prices declined.

The value of total EC-12 agricultural imports from all sources (including intra-EC trade) rose almost 20 percent during 1986, the most recent year for which complete data are available. Growth was broadly based,

affecting livestock, meat and dairy products, grains, oilseeds and meal except soybeans, fruits, vegetables and sweeteners, beverages, tobacco, and miscellaneous food preparations (see appendix table 4). Although most of the increase represents trade among the enlarged EC membership (Spain and Portugal joined in 1986), imports from outside the EC rose almost 7 percent in 1986.

EC-12 member nation agricultural exports (including intra-EC trade) rose almost 24 percent in 1986, with most commodity groups, except for vegetable oils, showing strong growth (see appendix table 5). In 1986, intra-EC trade surpassed its historical levels, accounting for about 70 percent of EC member nation agricultural exports. Extra-EC agricultural exports rose more than 8 percent in 1986.

Although the value of U.S. agricultural exports to the EC-12 began to recover in 1986, the U.S. share of total agricultural imports of the EC-12 countries continued to slide (see appendix table 6). Major loss of market share for food grains and feed grains and cotton led to the overall decline despite increases in share for animal feeds including oilseed meals, and oilseeds, especially soybeans.

U.S. agricultural imports from the EC-12 fell marginally in 1987 to \$4.16 million, accounting for 5.1 percent of total U.S. imports from the EC-12. The most recent available market share data show that despite an increase in the value of U.S. agricultural imports from the EC in 1986, the United States was a slightly less important market for EC agriculture (see appendix table 7). The U.S. market as a share of EC-12 member exports of tobacco, fats and oils, and miscellaneous food preparations (including intra-EC trade) rose in 1986, while the importance of U.S. markets for EC beverages, livestock, meat and dairy products, fruits, vegetables, and sweeteners declined.

Outlook for U.S. Trade With the EC-12

The rebound of U.S. agricultural exports to the EC-12 is expected to continue in fiscal 1988. Growth of about 5 percent in fiscal 1988 is expected to push exports to the EC-12

to about \$7.1 billion. Relatively low U.S. prices, exchange rates that keep the dollar at or below current levels vis-a-vis Western European currencies, moderate income growth, and slight employment increases in the EC-12, are all expected to contribute to the stronger market.

While several factors may contribute to a slight increase in U.S. grain exports to the EC-12, the value of overall U.S. grain exports to the EC was 4 percent below year-earlier levels during the first 5 months of fiscal 1988. The value of wheat sales was off 32 percent, while feed grain sales were up 11 percent.

Quality problems with the 1987 EC wheat crop will contribute to demand for imports of high quality milling wheat. However, competition from other suppliers such as Canada, and sales of bread-quality wheat from intervention stocks, appear to be limiting potential U.S. sales. Higher rice prices and reduced supplies in a number of Asian countries are expected to boost U.S. rice exports to the EC. Most important in offsetting reduced U.S. wheat exports have been increased coarse grains exports to Spain.

The delivery period for first-year imports of corn and sorghum by Spain under the 4-year U.S.-EC agreement, resulting from Spain's accession to the EC, has been extended to June 30, 1988. Bids for levy reductions on 1.2 million tons of corn and 300,000 tons of sorghum were accepted in February. By May 8, 1988, almost 1.1 million tons of corn had been imported by Spain since January 1987. Corn gluten feed and other corn byproducts imports during the same period amounted to about 368,000 tons. The U.S. share was about 98 percent of the corn imports and 93 percent of corn byproducts sales. The agreement calls for imports of another 2.3 million metric tons of feed grains or certain nongrain feeds before the end of February 1989. The United States is likely to capture a significant share of this grain trade with Spain, although the large Spanish grain harvest in 1987 means that some Spanish barley and wheat will compete with U.S. exports to other markets.

Compound feed demand in the EC-12 is likely to remain at or below last year's levels, as implementation of dairy quotas has increased cattle slaughter. Cold, wet weather in many regions of the EC during the harvest reduced the size and quality of the 1987/88

grain crop, increasing available supplies of feed wheat. Coupled with a record EC oilseed harvest, this should reduce demand for a variety of feeds (excluding grains) and fodders.

U.S. oilseeds will face increased competition in the EC market due to record 1987 oilseeds production, the prospect of continuing increases in EC oilseed supplies despite adoption of budgetary stabilizers that will cut oilseeds support prices, and large soybean crops in the Southern Hemisphere. Nonetheless, high crush margins have kept EC demand for soybeans high, and U.S. shipments have remained at fiscal 1987 levels. Increased unit values pushed the value of U.S. soybean exports to the EC up 13 percent during the first 5 months of fiscal 1987.

U.S. soybean meal exports will continue to suffer from competition with increased EC supplies of feed wheat and protein feeds (oilseed meals, field peas, and beans). The EC Commission's proposed consumption tax on vegetable oil, while not forgotten, has not been approved; and an American Soybean Association Section 301 complaint against EC oilseed subsidies led to a U.S. request for a GATT panel, which was blocked by the EC. Neither of these items is likely to be resolved in time to affect fiscal 1988 trade.

Animal product exports to the EC-12 are expected to remain at or above fiscal 1987 levels during fiscal 1988. During the first 5 months of fiscal 1988, drops in U.S. exports of edible offals and pork to the EC more than offset increases in exports of beef, horsemeat, and poultry. The EC's Third Country Meat Directive, under which U.S. facilities must be approved as meeting EC inspection standards and procedures, is unlikely to restrict U.S. exports during the remainder of fiscal 1988. A sufficient number of facilities has been approved under the directive to permit exports at previous levels. However, requirements of costly modifications will prevent some facilities from exporting. Improvements in the administration of the EC's high quality beef quota can only help U.S. exports. The EC's hormone ban, scheduled to go into effect on January 1, 1989, could seriously hamper or eliminate U.S. beef, sheep, and offal exports during fiscal 1989.

U.S. exports of fruits, nuts, and their products to the EC-12 are expected to rise

significantly in fiscal 1988. In the first 5 months of fiscal 1988, the value of U.S. exports of fruits and preparations were up to 27 percent. Nuts and preparations sales was up 45 percent, while vegetables and preparations exports were off 6 percent. The lower value of the dollar, abundant U.S. supplies, and a range of promotional activities are contributing to the fruit and nut increases.

After a strong recovery in fiscal 1987, U.S. cotton exports were again up sharply during the first 5 months of fiscal 1988, and expected to increase further throughout fiscal 1988. Competitive prices due to low U.S. loan rates, the weaker dollar, and crop shortfalls in some major producing countries should contribute to increased U.S. export potential.

U.S. tobacco exports to the EC may remain flat in 1987/88. During the first 5 months of fiscal 1988, tobacco exports were off 5 percent, as declines in burley exports more than offset increased flue-cured tobacco sales. Despite higher U.S. prices, stable exports are expected as a result of improved crop quality and the lower value of the dollar. Stagnant or declining cigarette consumption in major importing countries, reduced leaf use per cigarette, and ample world supplies all limit growth of tobacco exports.

HIGHLIGHTS OF SPECIAL ARTICLES

EC Grains: Impacts of 1988 EC Budget, Stabilizers, and Set-Aside Decisions on EC Wheat Surpluses

This article presents simulated impacts of the grain policy changes on EC-12 wheat surpluses over the 1988-2000 period using the CAP-FRAME model. Both an automatic stabilizer system that reduces grain prices in proportion to the amount that production exceeds a predetermined maximum guaranteed quantity (MGQ) and a paid set-aside program are evaluated, and compared to a base scenario under which support prices are held constant in real terms to the year 2000. Sensitivity to supply elasticity assumptions is examined.

Analysis of the potential long-term impacts on EC wheat surpluses of the stabilizers and set-aside programs shows that

the programs could potentially be made effective. The crucial point will be national governments' willingness to make set-asides attractive enough to get producers to participate. The impact of the stabilizer program which, calls for automatic price reductions when production exceeds an MGQ of 160 million tons of grain annually, will be limited by a provision that restricts grain price reductions to 3 percent annually.

The EC Oilseeds Sector: Recent Developments and Reform Proposals

Rapid increases in oilseed production have led to exploding budget outlays for oilseed support. This article describes the EC's support mechanism for oilseeds and identifies changes in the regime resulting from 1988 budget and price proposals. Pressures for reform of the support regime are identified and policy reform options are evaluated. Trade conflict in the oilseeds sector, including the section 301 complaint filed by the American Soybean Association, is briefly discussed.

EC Livestock: Three EC Actions Threaten U.S. Meat Exports, and Dairy Quotas Will Continue

This article discusses livestock sector issues of current interest. The EC Commission has issued two directives that could seriously affect U.S. meat exports to the EC. The "hormone ban" prohibits imports of meats from animals treated with hormonal substances, and if implemented as scheduled on January 1, 1989, could reduce U.S. beef, sheep and offals exports to the EC to near zero. The third-country meat directive requires all meat plants exporting to the EC to conform to very specific standards for slaughter, processing, and inspection. The EC has certified a number of U.S. facilities for conformance with EC inspection procedures under the directive, but some plants will no longer be able to export without costly modifications.

Administration of the EC's high quality beef quota has severely restricted U.S. exports. Recent changes may permit the United States to fill a large portion of the quota. These issues will require varying degrees of negotiation and monitoring before agreement is reached. Also, further cuts in

the EC dairy herd will most likely carry into the 1990's because of lagging demand and productivity-enhancing biotechnology.

Nongrain Feeds in the EC and Implications of Proposed Policy Reforms

EC imports of nongrain feeds increased sharply during the 1970's and early 1980's, in line with rapidly expanding livestock production, wider use of manufactured feeds, rising prices for domestic feeds, and zero or low duties on nongrain feed imports. In response to burgeoning surpluses of grains and livestock products, and the financial pressures confronting the Common Agricultural Policy, the EC Commission has proposed and implemented various policy measures to restrain imports of nongrain feeds. Current EC discussion of proposals to encourage use of cereals in animal feeds is one response to imported nongrain feeds. A number of studies indicate that a reduction of EC support prices rather than restrictions on nongrain feed imports would be more effective in reducing grain surpluses. Attempts by the EC to limit nongrain feed imports have been a major source of friction between the EC and its trading partners, and will likely be an important issue in the current round of GATT negotiations.

High Value Products: Growing U.S. and E.C. Competition in Third Markets

Competition is keen between the United States and the European Community in world markets for high-value agricultural products (HVPs). Although HVPs accounted for a record share of U.S. agricultural exports in 1986 and 1987, the United States remains second to the EC as the largest supplier of HVPs on world markets. This article examines U.S. and EC competition in specific product markets. Semi-processed meats, oilseed products, and fresh and processed fruits, nuts, and vegetables are identified as areas offering considerable potential for U.S. exporters.

Developments in EC Agricultural Protection: Implications for the Uruguay Round

Participants in the ongoing Uruguay Round of multilateral trade negotiations have given priority to reducing agricultural protection. Levels of protection, as measured by the Producer Subsidy Equivalent (PSE), are compared for the major agricultural trading countries; support received by producers in the European Community is highlighted. The article identifies objectives and possible mechanisms for reducing agricultural support, and discusses the negotiating proposals of key participant countries.

IMPACTS OF 1988 EC BUDGET, STABILIZERS, AND SET-ASIDE DECISIONS ON EC WHEAT SURPLUSES

by

Mark D. Newman and Walter H. Gardiner

ABSTRACT: In February 1988, heads of government of the EC-12 agreed to increase their contributions to support the Common Agricultural Policy and made policy changes to limit cost of the CAP. Results are presented of simulated impacts of grain policy changes on EC-12 wheat surpluses over the 1988-2000 period using the CAP-FRAME model. The article evaluates an automatic stabilizer system that would reduce grain prices in proportion to the amount that production exceeds a predetermined maximum guaranteed quantity (MGQ) threshold, and a paid set-aside program, and compares them to a base scenario under which support prices are held constant in real terms to the year 2000. Sensitivity to assumptions about producer response to price changes is also examined. Analysis of the potential long-term impacts on EC wheat surpluses of the stabilizers and set-aside programs shows that the programs could potentially be made effective. The crucial point will be national governments' willingness to make set-asides attractive enough to get producers to participate. The impact of the stabilizer program, which calls for automatic price reductions when production exceeds an MGQ of 160 million tons of grain annually, will be limited by a provision that restricts grain price reductions to 3 percent annually. Recent EC budget reforms may actually decrease the political pressures to make the stabilizers and set-asides effective in limiting production.

KEYWORDS: European Community, agricultural policy, grain, wheat, set-asides, agricultural stabilizers, CAP-FRAME.

Introduction

On February 13, 1988, heads of state and government of the 12-member European Community (EC) adopted a budget reform and agricultural policy package that provides a major infusion of revenue for the Community's coffers, while limiting future growth in Common Agricultural Policy (CAP) expenditures. Also put in place were a series of policy measures designed to limit future price support and budget exposure in a wide range of commodity sectors. The potential impact of the decisions is of considerable interest worldwide, particularly to the United States and other agricultural exporters. The EC is a major player in world commodity markets, and the budget and agricultural policy decisions could influence both the U.S. competitive position in world markets and negotiations in the Uruguay Round of Multilateral Trade Negotiations (MTN's) under

the General Agreement on Tariffs and Trade (GATT).

This article discusses the conditions that led to the February agreements and the elements included in the package. It then uses CAP-FRAME, a microcomputer-based policy evaluation framework, to simulate impacts of the provisions of the agreement on EC self-sufficiency in wheat over the remainder of the 20th century. Sensitivity of the results to supply response assumptions is also discussed.

The EC's Budget Problem

EC cereals policy is a major source of conflict in international markets, a major issue of contention in the current GATT round, and an important and rapidly growing source of budgetary exposure for the EC. As EC

outlays for price and income support in agriculture have grown from \$15.7 billion in 1985 to a proposed \$38.1 billion in 1988, the share of the budget devoted to grains has grown from 11.6 percent to an estimated 20 percent. The 38-percent decline in the value of the dollar during 1985-88 makes the rise in total agricultural outlays even more striking in dollars than the 50-percent rise in European Currency Unit (ECU) terms. National government agricultural support outlays are not included in these figures.

With outlays for agricultural support growing faster than available revenues, the EC member nations were under extreme pressure to achieve some sort of budgetary reform. The Treaty of Rome that set up the Common Market in 1957 does not permit budget deficits. Over the years, EC heads of state have agreed to increase revenue at regular intervals. The budget crisis has continued to grow, with the fall in the value of the dollar, lower world commodity prices resulting from a global grain glut and lower U.S. loan rates, sharp increases in EC support for grains and oilseeds, and enlargement of the EC in 1986 to include Spain and Portugal. Accounting procedures, such as delay of reimbursements to national governments from one year to the next and failure to depreciate stocks to reflect their sales value, temporarily relieved some of the pressure, but merely postponed the day of reckoning.

In December 1987, EC leaders met in Copenhagen, Denmark, but failed to agree on a solution to the budget crisis from either the outlay or revenue side. The Commission had proposed a program of stabilizers aimed at limiting the growth of CAP outlays by cutting support prices automatically when forecast production exceeded certain thresholds. However, no agreement was reached, and the Community began 1988 without a budget. Members continued to contribute to CAP financing on a monthly basis at 1987 levels (called "provisional twelfths" in the EC).

When the heads of government met again in Brussels on February 11-13, continued deadlock was expected by many observers. The United Kingdom refused to agree to additional funding without accompanying limits on future growth of the agricultural budget, and others, led by West Germany, did not want to hurt farm income, especially in a

year with important elections in West Germany and France.

The package that was agreed to affects both EC resources and outlays. On the revenue side, the limit on EC expenditures and the basis for national contributions to the EC budgets are shifted from 1.4 percent of the value-added tax (VAT) base to 1.2 percent of member Gross National Products (GNP), equivalent to almost 2 percent of the VAT base. Thus, once member nation parliaments ratify the new agreements, about one-fourth more money will be available to pay for EC programs, of which the CAP makes up about 70 percent.

The new system will allow the overall EC budget to grow from \$54 billion in 1988 to a forecast \$65 billion in 1992. At the same time, spending on price support portions of the CAP was limited to \$33.8 billion (27.5 billion ECU's) for 1988, with future annual growth limited to 74 percent of the rate of growth in GNP.

Structural support measures and costs of depreciating past public stocks remain outside of this guideline. Also, in the event of certain unexpected events, such as exchange rate shocks, additional resources may be provided. For 1988, the proposed budget calls for \$1.2 billion to be reserved for such exchange-rate shocks. The \$33.8-billion limit is several billion dollars below the original budget proposal for 1988. A revised proposal, expected to be approved in late May, calls for total agricultural spending of about \$38.1 billion (including \$33.8 billion for price supports, \$1.5 billion in stock depreciation, \$1.2 billion as an exchange rate reserve, and \$1.6 billion for structural support measures).

The EC Council of heads of government also agreed to a set of policy measures aimed at limiting expenditure growth. For grains, the Council set up a limited system of automatic stabilizers, which requires that if production exceeds a maximum guaranteed quantity (MGQ) of 160 million tons, support prices shall be reduced in the following season by 3 percent. Also agreed to were a program of paid land set-asides and a new producer coresponsibility levy (tax), in addition to the one already in place. The new coresponsibility levy is to be refunded if production fails to exceed the MGQ. As actual rules for

Supply Response of EC Cereals

Critical to analysis of policy alternatives is an understanding of likely producer response to changes in incentives. A number of researchers have developed economic models of EC commodity markets, particularly wheat, to analyze either existing or future policies. Some of these studies use assumed or synthetic values for the parameters in the model (Anderson and Tyers, Buckwell et al, Josling and Pearson, Paarlberg and Sharples, Rayner and Reed). Other studies econometrically estimate the model parameters but use a variety of specifications, particularly in the estimation of supply equations (Devadoss et al, Gardiner, Meilke and de Gorter, Paarlberg, and Schiff). Price elasticities obtained from these studies ranged from .11 to .66 for yield, .02 to .34 for area, and .30 to .66 for supply, indicating the highly variable nature of price elasticity estimates.

In light of the diversity of estimates of supply response presented in the literature, the current study tested the sensitivity of results to assumptions of supply elasticities of .2 and .4. These imply that producers would respond to a 1 percent price change with changes in production of 0.2 and 0.4 percent, respectively.

EC Wheat Elasticity Estimates			
Study	Yield	Area	Supply
Devadoss et al	.66		.66
Schiff			.54
Gardiner	.11	.26	.37
Meilke and de Gorter		.34	
Paarlberg		.02	
Tyers and Anderson			.30

implementing these programs have not yet been released, the following analysis should be considered a preliminary assessment of the potential impacts of alternative ways that the stabilizers and set-asides could be implemented.

Methodology

The analysis presented here focuses on the effects of both automatic stabilizers and a land set-aside program, compared to a base scenario under which support prices are held constant in real terms to the year 2000. This

article discusses only impacts on the wheat subsector, with results presented in terms of implications for EC self-sufficiency in wheat.

Self-sufficiency (S), expressed as a percentage, is the ratio of EC-12 wheat production to domestic consumption (food and nonfood use). As the analysis is conducted at the EC-12 level, intra-EC trade is included in domestic use. When $S = 100$, production exactly covers domestic use. $(S - 100)$ is the percentage share of production that must be allocated either to exports or to stocks, when positive, or the deficit to be filled by imports or changes in use when negative. By presenting results in terms of self-sufficiency, we avoid the need to address the allocation of excess production between stocks and exports. Since export refunds are determined by the EC's cereals management committee, this decision is at least partially political.

The CAP-FRAME Modeling Framework

Analysis was conducted using a CAP-FRAME model of the EC-12 wheat sector. Specific details of CAP-FRAME are presented by Josling (1986, 1987). CAP-FRAME is comprised of behavioral equations and identities in a spreadsheet modeling framework that permits analysis of both individual country and aggregate EC-12 impacts under a variety of assumptions about changes in EC grain, oilseeds, and livestock sectors. The model version used in this analysis permits projections to the year 2000 of production, domestic utilization, exports, and stock levels. Welfare implications for producers, consumers, and taxpayers can be estimated, as can producer subsidy equivalents, a measure of the share of producer returns resulting from government market intervention.

Changes in wheat production can be achieved through changes in area and/or yield. While EC wheat area has remained relatively stable over time, policy decisions that affect the relative returns to production of wheat, other grains, and oilseeds will have an impact on wheat production. Set-aside provisions that permit alternative uses of land may also affect crop production choices on land that is not set-aside. Cross-commodity linkages are not specified in this version of the model, so that results must be subjectively

evaluated for realism in a broader context. The modeling framework is being refined to make linkages among grain, oilseeds, and livestock sectors explicit.

CAP-FRAME permits specification of alternative country-level assumptions about income growth, inflation, exchange rates, and technological progress, as well as integration of price and income elasticities. World price change assumptions are also specified. The current version treats world prices as determined outside the model (exogenously), so that the EC wheat sector responds to internal prices, and does not affect world prices. Policy scenarios that cut EC prices are assumed to reduce prices no lower than world levels.

Empirical Results

This analysis examines impacts on the EC-12 wheat sector of three policy alternatives: an automatic stabilizer scheme, a set-aside program, and a combination of the two. Results are compared to the base scenario described below. Implications for the 1988-2000 period are examined.

Base Scenario

Under the base scenario, shown in figure 1, EC support prices are assumed to remain constant in real terms over the 1988 - 2000 period. Technological progress continues, with yield growing at a 3.3-percent annual rate. World prices are assumed to decline by 2 percent annually in real terms.

The results of the base scenario show EC wheat production reaching 79.5 million metric tons by 1990, up 10 percent from the 1987 harvest, but still below 1984's record crop. This figure is somewhat conservative when compared to the EC Commission's own projection of 83 mmt for 1990 (EC, 1985). By the year 2000, EC wheat production is forecast to reach nearly 110 mmt under the base scenario, up nearly 53 percent from the 1987 level. The EC self-sufficiency level in wheat is expected to reach 155 percent (that is, 55 percent excess production over domestic use) by the year 2000. This compares with a self-sufficiency level of 121 percent in 1987.

Automatic Stabilizers

The original introduction of guarantee thresholds, which limited price support to specific production levels, represented an attempt to limit the financial exposure of the EC in the face of rising production (Avery). However, their implementation was less effective than originally planned. The need for a more market-oriented CAP was laid out in the EC Commission's "1985 Green Report," *Perspectives on the Common Agricultural Policy*, and has since been refined in several major documents, including *Implementation of Agricultural Stabilizers*, released in September 1987.

The stabilizers agreed to in February 1988 are variations on the proposals included in the latter document, as well as a Commission set-aside proposal introduced in January 1988. The procedure agreed to in February automatically links price support level reductions to production that exceeds a predetermined MGQ threshold. For grains, the support price reduction occurs in the following crop year, and is limited to 3 percent annually.

The Commission's initial stabilizer proposal for grains called for a reduction in support levels, either through reduced intervention prices or an increased coresponsibility levy, whenever forecast total grain production (excluding rice) exceeds an MGQ of 155-158 mmt by at least 1 percent. The final agreement places the MGQ at 160 mmt, compared to 1986 and 1987 crops of 153-154 mmt, and 1984 and 1985 crops of 172 and 160 mmt, respectively. For purposes of analysis here, the threshold for wheat (common and Durum) is treated as 75 mmt, about 3 mmt above the 1987 harvest.

The Commission proposal originally called for the annual price reduction to be limited to a maximum of 5 percent for 1988/89 and 7.5 percent from 1989/90 forward. The final package limited the support price reduction to a maximum of 3 percent annually. The price reduction for exceeding the MGQ is shifted to the following crop year. Thus, price reductions could effectively begin no earlier than 1989/90, since 1987/88 production was below the threshold. If USDA's production forecasts for the 1988 crop are borne out,

grain production will be below the MGQ, so that the earliest the stabilizer would actually reduce prices would be in 1990/91.

Provisions for a supplementary 3-percent coresponsibility levy, to be collected in 1988/89 and refunded if production does not exceed the MGQ, would have a shorter term effect, even though the levy will be refunded if USDA's May forecasts are correct.

For purposes of this analysis, the price reduction was calculated as the percentage by which production exceeded the threshold quantity, up to a maximum of three percent annually. In actual operation, prices are to be reduced by 3 percent if production exceeds the MGQ. It was also assumed that annual price packages adjusted nominal support prices to offset inflation prior to the automatic reductions of up to 3 percent resulting from the stabilizers. Although the stabilizers as adopted only extend through 1991, the analysis here assumes that they are extended for the remainder of the century.

Results of analysis of the automatic stabilizer (under an assumed supply elasticity of .2) indicate that growth of wheat surplus is slowed relative to the base scenario (fig. 1), but the EC still achieves 133-percent self-sufficiency in 2000, (155 percent for the Base) with wheat production reaching 94.7 mmt (110 mmt for the Base). Consequently, in the absence of the administrative limit of 3

Table 2 - EC-12 Wheat Self-Sufficiency Under Alternative Policy Scenarios*

Supply Elasticity = .4				
Year	Baseline	Stabilizer	Set-Aside	Combined
(Percent)				
1982	129	129	129	129
1983	114	114	114	114
1984	138	138	138	138
1985	121	121	121	121
1986	117	117	117	117
1987	121	121	121	121
1988	123	123	107	107
1989	126	125	110	110
1990	128	126	112	112
1991	131	126	114	114
1992	133	125	116	116
1993	136	124	118	118
1994	139	123	121	119
1995	141	122	123	119
1996	144	120	125	118
1997	147	119	128	117
1998	149	117	130	116
1999	152	116	132	115
2000	155	114	135	114

CAP-FRAME Estimates, Western Europe Section, DME/ERS.

percent on the price reduction, support prices would have been reduced more than 3 percent annually (as a result of production growing by more than 3 percent above the MGQ, beginning in 1990). EC prices decline to world price levels in 1996 in this scenario, so no further automatic price reductions occur in the 1997-2000 period.

When supply is assumed to be more elastic (.4), the automatic stabilizer option is somewhat more effective (fig. 2). Excess supply continues to grow slowly, peaking at 26 percent above self-sufficiency in 1990 and 1991. Excess supply then falls slowly to 14 percent above domestic use in 2000, when the EC support price reaches the world level.

Table 1 - EC-12 Wheat Self-Sufficiency Under Alternative Policy Scenarios

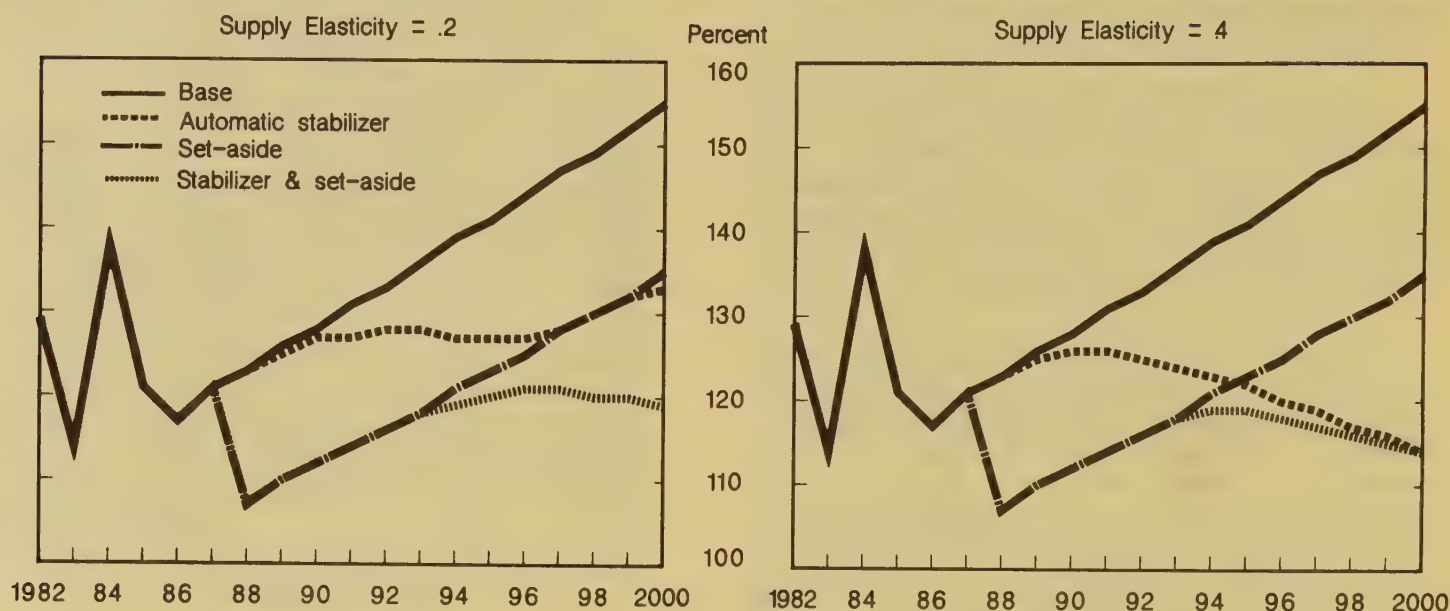
Supply Elasticity = .2				
Year	Base	Stabilizer	Set-Aside	Combined
(Percent)				
1982	129	129	129	129
1983	114	114	114	114
1984	138	138	138	138
1985	121	121	121	121
1986	117	117	117	117
1987	121	121	121	121
1988	123	123	107	107
1989	126	125	110	110
1990	128	127	112	112
1991	131	127	114	114
1992	133	128	116	116
1993	136	128	118	118
1994	139	127	121	119
1995	141	127	123	120
1996	144	127	125	121
1997	147	128	128	121
1998	149	130	130	120
1999	152	132	132	120
2000	155	133	135	119

CAP-FRAME Estimates, Western Europe Section, DME/ERS.

An EC Set-Aside Program

After considerable discussion over the last several years, the EC Commission introduced a proposal in January 1988 to provide a program of paid land set-asides as one means to reduce production and support costs. The EC Council provided for a paid set-aside program as part of the package agreed to at its February summit. Individual member states are required to make a paid set-aside program available, but participation of farmers is voluntary. EC regulations for the set-aside program were approved in April (Council Regulation No. 1094/88 of April 25, 1988 and Commission Regulation No. 1272/88 of April 29, 1988). Member states will have

EC-12 Wheat Self-Sufficiency under Alternative Policy Scenarios



until at least July 1988 to decide on national program details, so 1989 crops will be the earliest that can actually be limited by set-asides.

Unlike the U.S. set-aside program, access to the price and income support provided by the CAP will not be affected by whether a producer participates in the set-aside, so the primary incentive for participation will be a cash payment. The amount of the payment can vary by country and region from 100 to 700 ECU per hectare (approximately \$50 to \$350 per acre), and is supposed to reflect differences in land productivity and income losses. In order to participate in the set-aside, farmers will have to sign up at least 20 percent of their arable land for at least 5 years, although the commitment may be terminated after 3 years. Farmers withdrawing 30 percent of their land will be exempt from coresponsibility levies on the first 20 tons of grain that they market.

National governments will share in the cost of the set-aside program, with the EC budget providing a share that falls from 50 to 15 percent as the per acre payments increase. The national shares of these payments will not show up on the EC budget, and thus will not be counted against the new limit on agricultural spending. Only half of the EC contribution to support the program will be counted in the guarantee portion of expenditures, the part that was limited at the recent summit. The

rest will be counted in the guidance (structural support) section of the budget.

On the basis of preliminary reactions to the program, it appears likely that national programs will encourage participation in West Germany and the United Kingdom, while interest in southern Europe will be much lower. Since France, the United Kingdom, West Germany, and Italy produce over 80 percent of the EC's wheat, and more than 70 percent of its grain, participation in these countries will be crucial to the effectiveness of the program.

Estimating the probable impact of the EC's set-aside program requires important assumptions about signup and the productivity of land that is put into the program. U.S. experience with both general area set-aside programs and crop-specific acreage reduction programs (ARPs) may provide some useful insights. ARPs have been considered more successful than general set-asides as production control devices because they divert land from specific crops.

U.S. experience indicates that ARP's effectiveness is sharply reduced by "slippage," reductions in production and harvested area that are smaller than reductions in planted area, caused by increased production on unrestricted area, removal of lower yielding land from production, and slower declines in prices of less productive land than would be

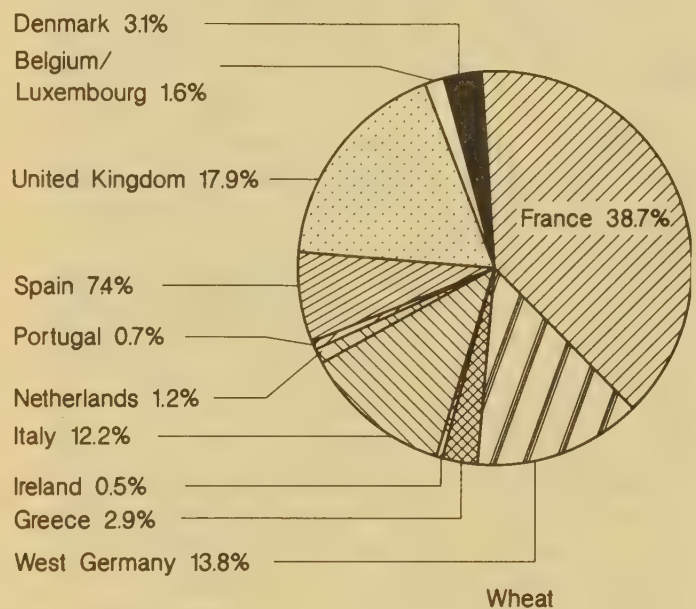
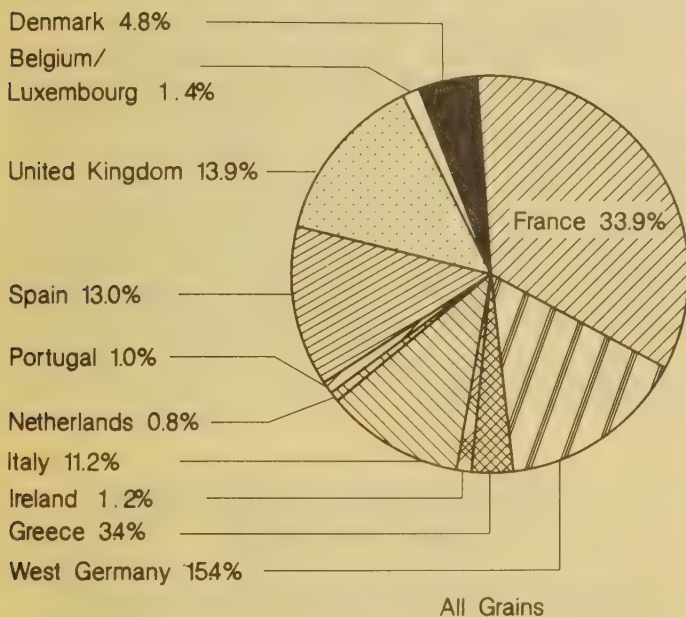
expected to accompany technological change. (Langley and Newman, Ericksen and Collins)

U.S. experience with slippage in ARPs is likely to be instructive in predicting response of EC producers to a similar program. In the United States, slippage in area, meaning that the area harvested falls by less than the acreage idled under the program, can be largely attributed to increased planting by nonparticipants. When earlier U.S. area

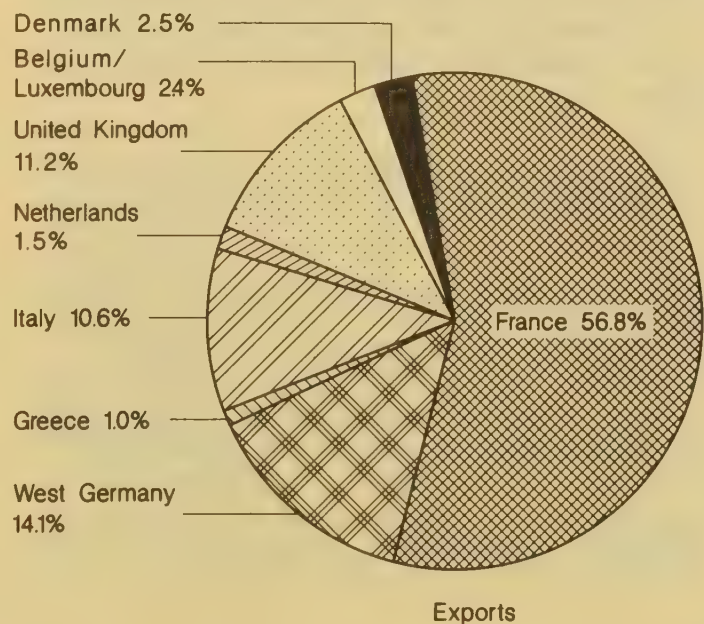
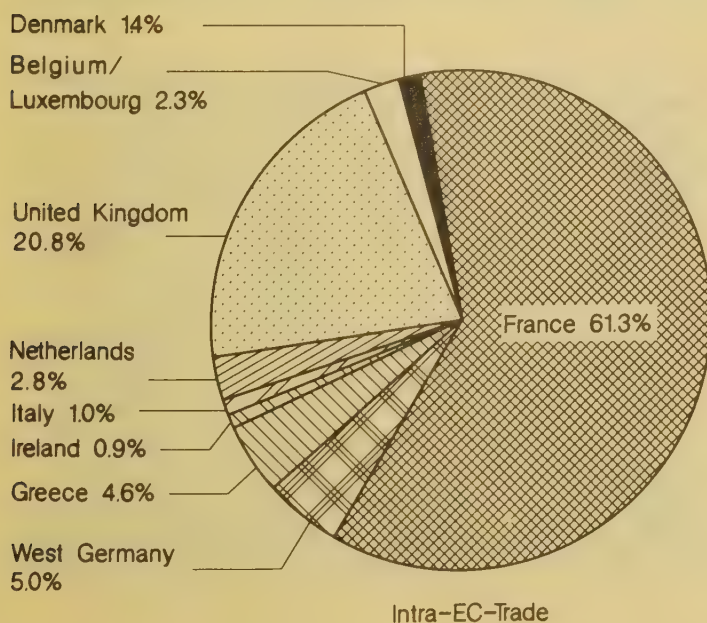
reduction programs failed to place strict limits on use of diverted land, substitution of one commodity for another, with little change in harvested area, was also a problem. More recent programs have eliminated this.

Production slippage occurs when the percentage drop in production resulting from area limitation programs is smaller than the percentage reduction in area. Ericksen and Collins have estimated that production

EC-12 Shares of Grain Production, 1987



EC-10 Shares of Trade in Wheat and Wheat Flour, 1986



decreases about 0.65 percent for every 1-percent reduction in area. Research has shown that removal of the least productive land from production, nonparticipant production, and continued yield increases resulting from general technological progress contribute to this slippage.

While details of the individual EC country set-aside programs remain to be worked out, certain EC-wide rules for the set-aside program have been decided. Grazing livestock or growing lentils, chick-peas, and vetches will be permitted on set-aside acreage at one-half the payment rate for land set-aside from all crops. Since signup for the set-aside is for at least 5 years, expectations about future EC policy will also color participation rates.

The EC Commission analysis of the set-aside program proposal assumed that 2.5 million acres of land would be removed from production in the first year. Total cereals area in the EC was about 87 million acres in 1987, with 39.4 million acres planted to wheat and 30.3 million to barley. The EC program is a general set-aside, making commodity specific impacts more difficult to assess than would be the case with an ARP. The Commission expects set-aside acreage to come out of wheat and barley, the crops with the lowest net returns per acre. If the assumption is correct, and reductions are divided in proportion to area between wheat and barley, a 3.6-percent wheat acreage reduction would be expected. If slippage is consistent with U.S. experience, this would lead to a 2.3-percent reduction in wheat and barley production in the first year of implementation. EC estimates are for even higher slippage rates.

In order to establish an upper bound on the potential impact of set-asides in the EC, the scenario examined in this paper assumes that the program is successful in achieving a 20-percent set-aside of wheat acreage that continues for the duration of the century, rather than the EC's estimate of about 2 percent. Cash payments for participation are assumed to be decoupled from production decisions. U.S. experience with slippage is assumed to apply in the EC as well, so a successful 20-percent set-aside cuts

production 13 percent in the first year that the program actually operates.

The analysis shows that if EC member nations were willing to pay the costs of a 20-percent set-aside it could have a striking short-term impact on the EC's wheat sector, with production reduced to only 7 percent above domestic use in the first year of implementation (see figures).

For purposes of this analysis, 1988 was assumed to be the first year of implementation of the set-aside. As actual program details have not yet been announced, 1989 crops will actually be the first that could be affected by the EC set-aside program. Prices are assumed to remain constant in real terms, and technological progress continues to push up yields, so that in the absence of future price reductions, production rebounds to 35 percent above domestic use by the end of the century. This is still substantially less than the excess production under the base scenario (55 percent) and only slightly above that in the case of the automatic stabilizer (33 percent), but still well above 1985-87 average surplus levels (20 percent).

Combining Automatic Stabilizers And Set-Asides

Both of the scenarios discussed above involve the type of programs that are part of the compromise package adopted on February 13, 1988. Thus, it is useful to evaluate the combined impact of automatic stabilizers and set-asides.

As adopted, the stabilizer package should have no impact on the 1988/89 crop, since the 1987 crop did not exceed the MGQ. The supplementary corresponsibility levy for 1988/89 will be refunded if USDA's May forecast proves correct, and the 1988 crop is also below the MGQ. Thus, initially the set-aside will be the important policy. If sign-up was successful in diverting 20 percent of wheat acreage (much higher than expected, as noted above), production would be expected to remain below the automatic price cut threshold until 1993. Assuming a supply elasticity of .2, the combination of set-asides and stabilizers leads to a peak self-sufficiency

of 121 percent in 1996, which drops to 119 percent by the year 2000. When producers are assumed to be more responsive to price changes, and a supply elasticity of .4 is assumed, self-sufficiency peaks in 1994 at 119 percent, falling to 114 percent in 2000.

As a result of the set-aside program, the automatic stabilizers only go into effect after the 75-million-ton production threshold is passed in 1993. In none of the scenarios does the internal EC intervention price fall to the world market price.

Conclusions

In discussions of the recent budget and agricultural policy decisions, EC representatives have argued that fundamental reform has occurred. EC heads of government agreed to limit spending on agriculture, provide automatic mechanisms for price cuts, and provide for paid land set-asides, while increasing the revenue available for the CAP. A central result of the decisions is that the number of policy levers that EC decisionmakers might use to cut surpluses has been increased.

The analysis presented above shows that each policy option offers the possibility of reducing EC wheat surpluses significantly. However, the rules governing implementation of the programs and willingness of national governments to supplement EC outlays with direct national contributions to the costs of set-asides will play a critical role in determining whether they have any major impact.

By expanding available revenue through agreement on a new GNP-based mechanism for funding the CAP, the pressure to constrain spending on other programs has been reduced considerably. Future price adjustments by the Council of Agricultural Ministers could offset any price reductions mandated by automatic stabilizer provisions; or the levels of the MGQs that put automatic price cuts into play could gradually slide upward, reducing the requirement for price cuts. Additionally, national governments may not be willing to commit sufficient resources to the set-aside programs to encourage signup. Thus, while the heads of government certainly took a difficult

step in a direction toward possible reform, change is hardly assured.

The analysis presented above demonstrates that with the political will to make the package effective, it could have a significant impact on reducing structural surpluses. At the same time, increasing the resources available to pay for the CAP means that the pressure for sharp reductions in support price levels and other policies necessary to make the package extremely constraining has been reduced for the short run.

The base scenario indicates that without real policy reform, the EC's contribution to the world's cereals glut is likely to increase substantially, further depressing world prices, eroding competitors' markets, and contributing to trade conflicts with the United States and other exporters. The combination of a set-aside program with sufficient incentives to achieve large participation rates and an automatic stabilizer program has the advantage of permitting EC decisionmakers to avoid the politically difficult task of major annual price cuts. However, with farms in the EC averaging only 42 acres, it remains to be seen whether the amounts EC member nations are willing to offer farmers to set land aside will be sufficient to achieve important reductions in cereals area.

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THE EC OILSEEDS SECTOR: Recent Developments and Reform Proposals

by

Mary Anne Normile

ABSTRACT: Rapid increases in oilseed production have led to exploding budget outlays for oilseed sector support. The paper describes the EC's support mechanism for oilseeds and identifies changes in the regime resulting from 1988 budget and price decisions. Pressures for reform of the support regime are identified and policy reform options are evaluated.

KEYWORDS: Oilseeds, Common Agricultural Policy, European Community, soybeans, rapeseed, sunflowerseed.

Introduction

EC-12 production of oilseeds has increased rapidly since the late 1970's, reducing U.S. soybean exports to that market and increasing the EC's support costs. This article explores reasons underlying the recent growth in output and summarizes the key features of the EC's oilseed support regime that have contributed to production increases. It describes recent changes in oilseed policy, identifies pressures for policy reform, and evaluates some reform options.

Trends in Production and Trade

Record production in 1987 of principal EC oilseeds—rapeseed, sunflowerseed, and soybeans—represents continuation of a trend since the late 1970's of steady growth in output. Total EC-12 oilseed production has more than doubled since 1983 and has increased tenfold in the last decade (table 1, figure 1). In the 1987/88 marketing year just ending, EC-12 oilseed production accounted for an estimated one-half of domestic use (table 2)—the highest ever.

Increased Community production has resulted from two principal factors: the availability and adoption of improved varieties (particularly of rapeseed), resulting in large yield increases (table 3), and high oilseed support prices, which have led to sharp increases in area (table 4). An attractive price relationship relative to grains has also provided an incentive for producers to plant oilseeds on some land previously sown to

Table 1--EC-12 production of major oilseeds

	1983/84	1984/85	1985/86	1986/87	1987/88
Million metric tons					
Rapeseed	2.4	3.4	3.6	3.7	5.9
Sunflowerseed	1.8	2.3	2.8	3.3	3.7
Soybeans	0.1	0.1	0.3	0.9	1.5
Other ^{1/}	0.3	0.5	0.5	0.5	0.5
Total	4.6	6.3	7.2	8.4	11.6

^{1/} Cottonseed, peanuts, flaxseed.
Source: USDA, FAS.

Table 2--EC oilseed production and use ^{1/}

Year	EC oilseed production	Total domestic use	Production/ use
	- - - - - Million tons - - - - -		Percent
1979/80	2.3	21.5	11
1980/81	3.2	19.5	17
1981/82	3.3	21.4	16
1982/83	4.5	21.7	21
1983/84	4.6	19.7	23
1984/85	6.3	20.8	30
1985/86	7.2	22.2	32
1986/87	8.4	24.2	35
1987/88	11.6	25.4 ^{2/}	46 ^{2/}

^{1/} All oilseeds: soybeans, cottonseed, peanuts, sunflowerseed, rapeseed, copra, palm nuts, flaxseed. ^{2/} Forecast.

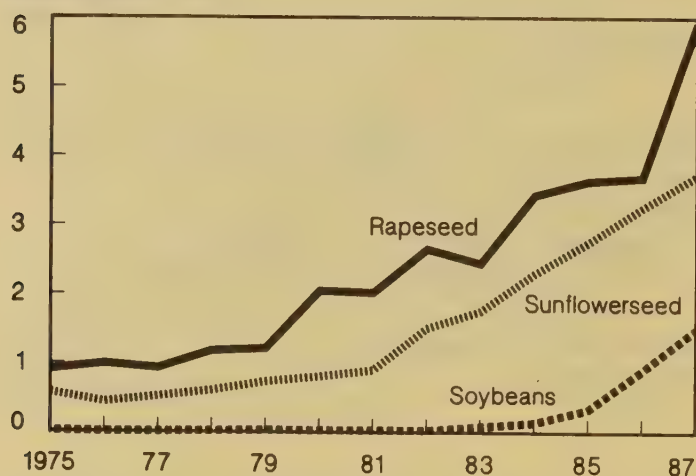
grain. Support prices for the EC's three principal oilseeds rose sharply in the late seventies and early eighties, and have remained relatively stable at high levels since then.

Increases in support prices were a result of the Commission's decision to boost

Figure 1

EC-12 Production of Principal Oilseeds

Million metric tons



domestic production of oilseeds to reduce the EC's dependence on imported oilseeds. EC policymakers have also wished to reduce the attractiveness of grain production in order to reduce persistent grain surpluses and the resultant high budget outlays. Increased demand for protein feedstuffs from the expanding livestock sector has led policymakers to intervene by providing crushers with subsidies to encourage increased use of local protein supplies, contributing to the rapid growth of domestic oilseed production by providing more outlets for domestic supplies.

U.S. soybean exports to the EC-12 declined sharply in the mid-1980's, but have recovered somewhat in the last 2 years. In fiscal 1987, U.S. shipments benefited from high crush margins in Europe, as well as a declining dollar.^{1/} High crush margins were the result of strong demand for protein meals that also favored U.S. soybean meal shipments. The U.S. share of the EC soybean market rose to about 70 percent in 1986/87, after recovering from a low of less than 60 percent in fiscal 1984 and fiscal 1985. U.S. soybean exports to the EC had fallen off from early 1980's levels that accounted for as much as a 90-percent share of the EC market. This decline was a result of increased EC production of competing oilseeds, competition from South America, and a strong dollar.

^{1/} A crush margin is the difference between the price of an oilseed and the value of its oil and meal products.

Table 3--Oilseeds yields in EC-12

	Soybeans	Sunflowerseed	Rapeseed
	(Mt/ha)		
1980/81	1.86	0.97	2.74
81/82	2.06	0.92	2.20
82/83	2.00	1.23	2.58
83/84	2.34	1.19	2.19
84/85	2.42	1.40	2.92
85/86	2.72	1.38	2.87
86/87	3.15	1.53	2.92
87/88	3.05	1.61	3.18

Source: USDA/FAS.

Table 4--Oilseed area (harvested)

Marketing year	Soybeans	Rapeseed	Sunflower-seed	Total
	1,000 hectares			
1980/81	15	748	826	1589
81/82	16	920	974	1910
82/83	15	1029	1227	2271
83/84	38	1117	1472	2672
84/85	60	1178	1646	2884
85/86	124	1272	1991	3387
86/87	286	1266	2130	3682
87/88	493	1858	2319	4670

Source: USDA/FAS.

The United States exports no soybean oil to the EC, but does ship other vegetable oils, including cottonseed, corn, and peanut oils. Vegetable oil shipments to the Community have been quite variable over the last 10 years, and are expected to decline over the long term because of increased availability of oil from domestic sources (particularly sunflowerseed and rapeseed).

Despite being the world's largest importer of oilseeds and oilseed products, the EC is fast increasing its self-sufficiency in vegetable oil and protein meals, as well as becoming a significant exporter of these products. At the same time that EC protein meal and vegetable oil consumption have been increasing, EC net imports (gross imports less gross exports) have been declining. The EC accounted for less than 6 percent of total world oilseed production last year.

In 1986/87, domestic oilseed production accounted for about one-third of domestic use, requiring the EC to import a large share of its requirements. The Community imports approximately two-thirds of its oilseed meal

requirements, down from 90 percent 5 years ago, and is approaching self-sufficiency in vegetable oil from domestically-grown oilseeds. When olive oil is included, the EC is close to self-sufficient in vegetable oils.

The growth in oilseed production has enabled the Community to reduce dependency on imported oilseeds, but it has also resulted in increasingly large budget outlays in the form of price subsidies and export aid. Expenditures of the European Guarantee and Guidance Fund (EAGGF)—the agricultural budget—on the oilseed program have been the fastest-growing component of the EC budget in recent years (table 5), more than tripling since 1984. In 1986, EAGGF expenditures on oilseeds alone totaled 2.03 billion ECU (\$2 billion) and accounted for 9 percent of total outlays.

Budget costs for the oilseeds regimes have risen as a result of several factors, including larger production and processing subsidies, rising oilseed output, falling world prices, and adverse exchange rate movements. The zero-tariff binding on imported oilseeds, negotiated in 1962 as part of the Dillon Round, means that oilseeds enter the EC market at world market prices. Support payments are roughly equal to the difference between the internal support price and the world market price. Thus, as world prices fall, outlays for price support rise.

Support payments are also related to the output level; there is no limit on the volume of oilseed production that may qualify for support, although production in excess of threshold levels reduces the support received for the entire crop (discussed below). As a

result, production increases drive up support expenditures. The strengthening of European currencies vis-à-vis the dollar has resulted in a widening of the gap between internal EC and world prices for oilseeds (typically denominated in dollars), increasing budget outlays.

Oilseed Support Mechanism

An understanding of the EC oilseed support mechanism is important to interpreting recent policy changes. Rapeseed, soybeans, and sunflowerseed all benefit from support under the CAP. The basic mechanism of support is a price subsidy, where payment is made initially to processors and passed through to producers.

The Commission sets a target price for rapeseed and sunflowerseed and a guide price for soybeans. This price has been substantially higher than prevailing world oilseed prices during the last 10 years (figures 2 and 3). Oilseed crushers, or other first buyers, receive a subsidy equal to the difference between the target price and the world price. The crushing subsidy may vary weekly with changes in the world price. Crushers pay oilseed producers a price at least as great as the intervention price, or producers may sell to intervention stocks. The intervention price is set slightly below the target price (see figure 4), so that the majority of the subsidy is effectively passed on to the grower. Sales of oilseeds to intervention are rare, but this option does ensure a minimum price to the producer.

The crushing subsidy allows crushers to pay EC farmers high support prices for domestically-produced oilseeds, and enables them to sell oil and meal at prices competitive with the world market, while maintaining crushing margins. Oilseed meal, like oilseeds, enters the EC duty-free; tariffs of 10 to 15 percent apply to most imported vegetable oils, but are low relative to many other supported commodities. The combination of high producer support for oilseeds and zero or modest tariffs for oilseed products contributes to burgeoning budget costs.

The Commission also establishes the level of monthly increments to the target and intervention prices for rapeseed and sunflowerseed. These regular price increases are established for a minimum number of

Table 5--EAGGF expenditures by commodity

	1984		1985		1986	
	Million ECU	Percent	Million ECU	Percent	Million ECU	Percent
Cereals	1,650	9.0	2,310.2	11.7	3,391.2	15.4
Oilseeds	655.6	3.6	1,110.6	5.6	2,027.5	9.2
Olive oil	1096.4	6.0	692.2	3.5	604.3	2.7
Protein crops	215.6	1.2	372.5	1.9	460.0	2.1
Sugar	1,631.5	8.9	1,804.5	9.2	1,725.6	7.8
Dairy	5,441.7	29.6	5,933.2	30.1	5,405.1	24.5
Meat, poultry and eggs	3,246.0	17.7	3,476.8	17.7	4,348.2	19.7
Other ^{1/}	4,705.1	25.6	4,007.0	20.3	4,117.3	18.6
Total	18,371.9	100	19,707.0	100	22,079.2	100

Source: Commission of the European Community, *Financial Report of the European Guarantee and Guidance Fund* (various years).

^{1/}Other includes wine, fruit and vegetables, tobacco, and cotton, flax, and hemp.

Figure 2

Rapeseed Prices

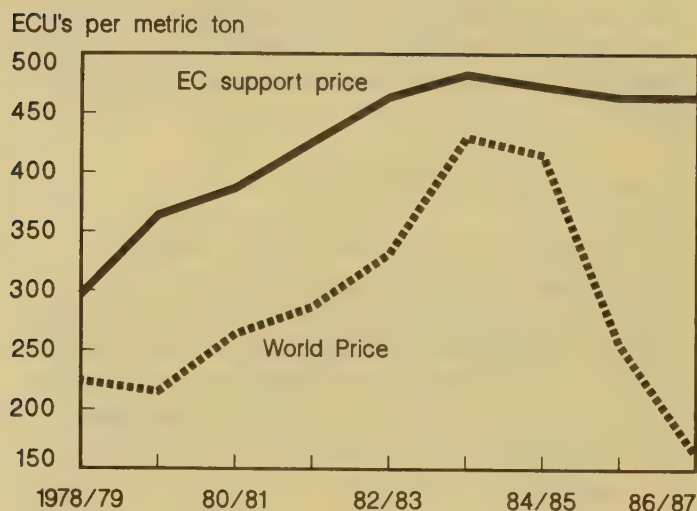


Figure 3

Soybean Prices

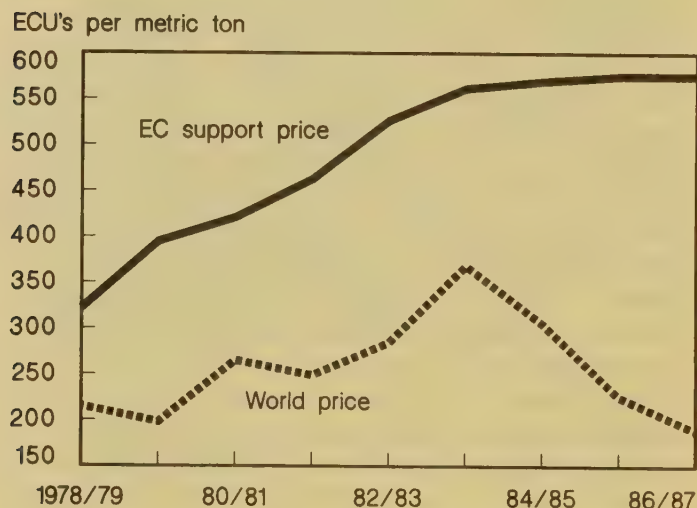


Figure 4

EC Oilseed Support Mechanism



Based on 1988 prices.

months over the marketing year and are meant to reflect producer costs of holding inventories (interest and storage costs). A premium over the basic target and intervention price is offered for "double-low" rapeseed, a term for improved varieties that have low levels of both erucic acid and glucosinolate. These are undesirable compounds that have been reduced in certain rapeseed varieties through hybridization. Low-erucic-acid rapeseed oil has all but eliminated a compound believed to cause health problems in humans, and meal from double-low rapeseed can be used for a wider variety of feeding uses over its single-low predecessors. By 1990/91, the subsidy will be paid only for double-low rapeseed.

The treaty governing the 1986 accession of Spain and Portugal to the EC provided for a transition period during which support prices for oilseeds in these countries will gradually be aligned with CAP prices. Support prices for Spanish-produced oilseeds are lower than in other EC countries. Maximum Guaranteed Quantities (MGQ's) (described below) for oilseeds also apply to Spain and Portugal, but are set separately from EC-10 thresholds. Spain and Portugal may also maintain quantitative controls on imports of oilseeds (except soybeans) and oilseed products until 1991. Soybean imports into Spain are allowed under the condition that any oil produced above the established consumption quota is exported.

The rapid growth in budget costs for oilseeds has led the Commission to attempt to control expenditures through the use of "stabilizers." Production thresholds were introduced for rapeseed in 1982 and sunflowerseed in 1984, and were extended to include soybeans in 1987. A production threshold, or Maximum Guaranteed Quantity (MGQ), establishes a production ceiling beyond which support will begin to be reduced. Under the current system, at the beginning of the marketing year an MGQ is established. If actual production exceeds this amount, producer support is reduced by a related percentage of the support price. For 1987/88, price supports could be reduced by a maximum of 10 percent.

The agreement produced during the 1988 Brussels summit resulted in new levels for stabilizers in the oilseed support regime. If

the MGQ is exceeded, target and guide prices are reduced by 0.45 percent for each 1-percent excess production in 1988/89, and would be reduced by 0.5 percent for each 1-percent overshoot in the next 2 years, with no limit to the reduction in the price support level.

The 1988/89 price proposals would reduce monthly increments to target prices by 50 percent. However, production thresholds (MGQ's) were increased for all oilseeds (table 6), which will lessen the impact of the stabilizers. Premiums paid for double-low rapeseed were maintained. In 1986/87, the bonus paid for double-low rapeseed was about 3 percent of the target price.

The Commission has proposed that target/guide and intervention prices for 1988/89 remain unchanged from 1987/88 levels, except for Spain where increases were provided for in the accession agreement. Institutional prices for Spanish oilseeds are still below those available to other member countries.

In 1987/88, actual EC-10 production exceeded the MGQ for rapeseed (by 40 percent) and sunflowerseed (62 percent), resulting in reductions to target and guide prices of the maximum 10 percent. Spain and Portugal did not exceed their production thresholds for rapeseed and sunflowerseed. EC-12 soybean production exceeded the MGQ by 36 percent, reducing target and guide prices by 10 percent.

Oilseeds are also eligible for export assistance. EC exports of oilseeds have been negligible, accounting for 1 percent or less of production in most years. To sell EC oilseeds to third countries, export refunds, equal to the difference between the EC market price and the lower world price, are available for rapeseed and sunflowerseed. They are, however, seldom used, and amounted to only 2 million ECU (\$1.97 million) in 1986. The export refund is set lower than the crushing subsidy to promote domestic crushing and production of vegetable oil and protein meal. Export refunds, crushing subsidies, and intervention purchases comprise the budget expenditures on oilseeds, but the bulk of these are crushing subsidies.

Pressures for CAP Reform

Pressure to reform the oilseed support regime within the CAP have arisen from both internal sources--the EC's agricultural budget, the CAP, and enlargement--and external sources, including trade disputes and trade negotiations sources.

Budget--The most important source of pressure on the EC to reform its commodity support regimes continues to be the EC agricultural budget. In 1986, the agricultural budget accounted for about 70 percent of all outlays by the EC and has grown by almost 50 percent since 1983. Expenditures in support of the oilseeds sector have risen rapidly, with little slowdown anticipated. The growing agricultural budget strains limited EC financial resources and creates a source of friction among the member nations.

Imbalance within the CAP--The high producer supports and low trade barriers on oilseeds and oilseed products complicate financing of the oilseed regime. Imbalances also exist among commodity support regimes within the CAP. Vegetable oil, which does not receive price support, competes in consumption with butter and olive oil, whose prices are supported. Similarly, oilseed meal is priced at market levels; it may compete with domestic feed grains, whose price is supported at above-market levels. Both butter and feed grains receive high levels of support, and competition from oilseed products exacerbates surplus disposal problems for these products. When policy imbalances lead to increased budget costs, they provide an incentive to make commodity regimes within the CAP more consistent and provide an opportunity for reform.

EC Enlargement--The accession of Spain and Portugal to the Community has created an additional source of pressure on the oilseed budget. Spain accounts for between 10 and 20 percent of all EC oilseed production, but for a much higher percentage of EC sunflowerseed output. Under the terms of the accession agreement, Spanish and Portuguese oilseeds will not be fully integrated into the support regimes until 1991. Spanish and Portuguese oilseed producers currently receive a lower level of support than others in the EC-12.

Given Spanish and Portuguese production potential, higher price supports will translate into significant increases in production. This additional production will further strain the agricultural budget. The addition of Spanish olive oil to EC edible oil supplies provides more competition, and olive oil support adds an additional burden to the budget.

Trade Disputes—Trade disputes are a source of outside political, and sometimes legal, pressure for policy reform. In December 1987, the American Soybean Association filed a Section 301 complaint with the U.S. Trade Representative (USTR) against the EC.^{1/} The U.S. Government agreed in January 1988 to investigate the charges. The petition alleges that the Community's oilseed and protein crop subsidies have hurt U.S. exports of soybeans and soybean meal to that market, and are in violation of EC obligations under the General Agreement on Tariffs and Trade (GATT). It charges that the EC's production and processing subsidies, established after the EC granted duty-free status (bound under GATT) to soybeans and soybean meal, "impair and nullify" the benefits due U.S. exporters from these bindings. It claims that subsidies, which have led to an increase in EC-produced oilseeds and protein crops, have caused the displacement of U.S. soybean and soybean meal exports to the EC.

The U.S. share of EC soybean imports fell from a high of about 90 percent in 1981/82 to a low of about 60 percent in 1983/84 and 1984/85 (table 6). The share of EC protein meal demand filled by imports has traditionally been in excess of 95 percent. Since 1981/82, with the dramatic growth in EC rapeseed and sunflowerseed products, the

market share held by imports has declined to nearly 75 percent in 1987/88. The United States and other foreign suppliers find themselves competing for a shrinking share of the EC market. Total EC soybean meal imports rose slightly during the 1980's, due to competitive factors such as exchange rates, but the U.S. share of those imports has dropped because of competition from Latin American sources (table 7).

Multilateral Trade Negotiations (MTN)—The Uruguay Round of multilateral trade negotiations was initiated in September 1986. Agricultural trade, and particularly the nontariff barriers that restrict trade in agricultural products, are receiving high priority. The EC proposal for negotiating reductions in trade barriers indicates that a reduction of market imbalances will be their key focus in the agricultural negotiations. The EC has stated its desire to "harmonize" its commodity policies by trading off concessions on grains, with elimination of the zero tariff binding on oilseed imports. The United States is particularly interested in phasing out all subsidies which directly or indirectly affect agricultural trade and all market access barriers. This would include EC subsidies in support of its oilseed sector.

Table 6--U.S. share of EC-12 soybean imports

	Imports from U.S. ^{1/}	Total imports ^{2/}	U.S. share
	--- Million metric tons ---		Percent
1979/80	13.0	16.3	80
1980/81	10.3	13.2	78
1981/82	14.8	16.0	93
1982/83	13.1	15.7	83
1983/84	7.4	12.9	57
1984/85	7.4	12.9	57
1985/86	8.8	13.2	67
1986/87	10.1	14.3	71

^{1/} FATUS. ^{2/} FAS.

Table 7--U.S. share of EC-12 soybean meal imports

	Imports from U.S. ^{1/}	Total imports ^{2/}	U.S. share
	--- Million metric tons ---		Percent
1981/82	4.0	12.2	33
1982/83	4.2	12.3	34
1983/84	2.4	12.4	19
1984/85	1.8	13.3	14
1985/86	2.6	13.8	19
1986/87	3.2	13.6	24

^{1/} FATUS. ^{2/} FAS.

^{1/} Section 301 of the Trade Agreements Act of 1974 (amended) provides authority to respond to unfair trade practices that restrict U.S. trade by countries who have signed trade agreements with the United States. Responses may include rescinding trade concessions or imposing compensatory duties or fees on products imported from the country engaging in unfair trade practices. The United States is seeking resolution of the dispute through GATT; in May 1988 the EC blocked the U.S. request for a GATT panel to examine whether the EC's oilseeds regime has offset its zero binding on duties on imported oilseeds.

Several options have been discussed to deal with some of the problems of high budget costs of the oilseed support regime. Some of the stabilization measures proposed by the Commission are summarized here.

Impose vegetable oil tax—A tax on vegetable oil consumption, proposed unsuccessfully in the 1970's, was again proposed in 1987. While ultimately rejected, the EC's vegetable oil tax could be proposed again. The tax was proposed in response to the need for new financing for the rapidly increasing cost of the oilseeds regime. This so-called "stabilizing mechanism" would impose an equal unit tax on all vegetable and fish oils consumed within the EC, regardless of origin. As a result, lower value oils that are mostly imported, such as soybean and palm oils, would be taxed at a higher rate than high-value oil, such as domestically-produced olive oil.

The tax would increase consumer costs, encourage substitution of animal fats (including butter) for vegetable oils, and would discourage soybean imports by depressing crush margins. Proceeds would be used to fund support of the oils and fats sector, thus easing budgetary pressure from the oilseeds regime and encouraging continued production of commodities that compete with U.S. exports.

The proposal was dropped in 1987 for lack of agreement. The 1988 budget agreement identified new funding sources for the budget, thus eliminating one of the reasons for the tax.

Strengthen stabilizer (MGQ) system—The 1988 agreement eliminated the maximum reduction in prices. Prices can now be reduced without limit if production exceeds MGQ levels. However, the system of production thresholds has been largely ineffective because support prices are so far in excess of the world price, and profit margins on oilseeds are so high, that small (5 to 10 percent) cuts in support fail to provide significant disincentives to the producer. Production thresholds have also tended to rise over time as production has risen (table 6), and thus have not provided meaningful restraint on production.

Reduce institutional prices—In crop year 1987/88, target and intervention prices for

Table 6--Guarantee thresholds for oilseeds

	1986/87	1987/88	1988/89-1990/91
Million metric tons			
Rapeseed ^{1/}	3.5	3.5	4.5
Spain	0.010	0.010	0.013
Portugal	0.001	0.001	0.001
Sunflowerseed ^{1/}	1.7	1.7	2.0
Spain	1.2	1.2	1.411
Portugal	0.054	0.054	0.063
Soybeans ^{2/}	NA	1.1	1.3

^{1/} EC-10. ^{2/} EC-12

rapeseed and soybeans were reduced by 3 percent (in addition to the 10 percent reduction resulting from production in excess of threshold levels). The Commission's proposals for 1988/89 call for institutional prices to remain unchanged, but monthly increments will be reduced by half. If approved, support prices will remain well above world levels. Support prices are estimated to decline by 5-15 percent based on oilseed production forecasts and the new production thresholds. These declines are too small to have much impact on production, particularly when the resulting support price is compared to the price available for competing crops such as grains.

The Commission is likely to face strong opposition to larger reductions in the level of support prices or limitations on the volume of production eligible for support, as the Community still imports a large share of its oilseed needs. The Commission failed to propose more dramatic measures for 1988/89, but may have to consider doing so if oilseed production continues increasing at the pace of the last few years. The set-aside proposal being discussed for grains is not likely to be considered for oilseeds unless surpluses arise.

Conclusions

The rapid growth in oilseed production in the European Community has resulted largely from support prices that are high relative to world prices, and returns that are greater than those of competing crops, particularly wheat. The rise in output has produced large increases in EC budget costs for oilseed support, further taxing limited EC financial resources and bringing pressure on the EC to revamp the oilseed regime. There are many internal pressures arising from inconsistencies among commodity support regimes within the CAP

and the additional costs of supporting Spanish and Portuguese producers. These add to external pressures, primarily from trading partners and competitors, to change the terms of oilseed support.

EC responses have taken the form of proposed actions to amend the support mechanism, including a vegetable oil tax, a revised system of price restraints when production exceeds threshold levels, and no increase in support prices. Reforms instituted thus far are unlikely to have much impact on

production in the short run. Policy changes produced during the Brussels summit may slow the rate of increase of oilseed support costs, but will not likely result in a turnaround in the trend toward greater oilseed production. The EC continues to be an oilseed-deficit, and grain-surplus, area. Policies aimed at containing the growth of grain production may result in grain producers turning to oilseeds as an alternative, particularly if returns to oilseeds relative to grains continue to favor oilseeds.

EC LIVESTOCK: Three EC Actions Threaten U.S. Meat Exports, and Dairy Quotas Will Continue

by

David R. Kelch

Abstract: The Commission of the European Community (EC) has issued two directives which could seriously affect U.S. beef and beef offal and sheep and sheep offal exports to the EC. One of the directives bans the imports of meats treated with hormonal substances (growth promotants), and if implemented as scheduled on January 1, 1989, would reduce affected U.S. meat exports to the EC to near zero. Another directive requires all meat plants exporting to the EC to conform to very specific procedures for slaughter, processing, and inspection. While the EC has certified a number of U.S. facilities for conformance with its procedures, some plan to that previously exported will no longer be able to do so without costly modifications. EC administration of the U.S. high quality beef quota has not been effective, and changes have been made. These issues will require varying degrees of negotiation and monitoring before agreement is reached. Also, further cuts in the EC dairy herd will most likely carry into the 1990's, because of lagging demand and productivity-enhancing biotechnology.

Keywords: European Community, directives, hormonal substances, health regulations, quota administration, U.S. exports, dairy quota, biotechnology.

Introduction

The EC has announced intentions to implement a ban on hormonal implants (growth promotants) in animals, which would effectively eliminate U.S. exports of beef, veal, lamb, mutton, and offals to the EC. Another EC directive would force all meat plants that export to any EC country to adhere to the detailed EC regulations for slaughter,

processing, and inspection. A third issue involves the administration of the U.S. beef quota in the EC. Prior to recent changes, mechanics of quota administration led to below-quota imports, even though EC importer demand exceeded the quota levels. These three issues brought U.S. and EC officials into frequent close contact this past year, and are likely to continue to do so in 1988. Prospects for a long-term solution are good in all three

cases, but their resolution will require intense negotiation and constant monitoring.

The Hormone Ban

The most controversial livestock issue for the United States and the EC is the ban on imports of meat and meat food products from animals treated with androgenic, estrogenic, gestagenic, and thyrostatic hormonal substances for fattening purposes, which is scheduled to affect third country imports on Jan. 1, 1989. The ban was to have gone into effect on January 1, 1988, but intense pressure from within the EC and from third-country exporters to the EC, particularly the United States, resulted in a 1-year delay in implementation, during which meat from third countries can be exported to the EC.

Further intensive efforts to rescind or modify the ban are expected in 1988 from some EC livestock producers, domestic and foreign manufacturers of hormonal substances, and third-country exporters such as the United States. However, continued EC consumers' opposition to the use of hormones, as well as the surplus of beef in the EC, will continue to give the EC Council impetus to maintain the ban. This issue will likely heat up in 1988 because the ban is viewed by third countries as a non-tariff trade barrier, lacking a scientific basis, which could result in significant economic loss.

Economic Consequences of the Ban

The economic damage of the hormone ban to countries will encompass all exports of beef, veal, lamb, mutton, or beef offals because it is impossible or impractical to document each animal's history of treatment with hormones during its entire life. According to a study published by USDA's Food Safety and Inspection Service (FSIS), New Zealand, Argentina, and the United States will lose \$328 million, \$168 million, and \$105 million, respectively, because of the ban (USDA/FSIS). Based on 1986 trade, over 90 percent of the U.S. losses by volume would be absorbed by exporters of beef offals, and the remaining 10 percent consists of small amounts of veal, lamb, and mutton products (see table 1).

The FSIS study concludes that France would be the biggest loser in the EC, as it is

Table 1. U.S. exports to the EC and world of beef, veal, mutton and lamb products, 1980-86

	1980	1981	1982	1983	1984	1985	1986	1980-86
Million dollars								
EC	137.3	124.0	113.6	87.3	77.6	79.7	105.4	103.6
World	392.7	467.6	550.0	615.9	659.5	654.3	924.4	594.9

Source: FSIS, *Economic Impact of the European Economic Community's Ban on Anabolic Implants*.

estimated that the ban would reduce carcass weight there by 10 percent. If the United States were to comply with the ban and ship only untreated meat and meat food products, it would have to cease use of hormonal substances entirely, because no adequate tests are available to prove there has not been hormonal treatment. If the entire U.S. herd were untreated, the study reports that production would decline by an estimated 13 percent and net return to retailers would decline by about \$4 billion (USDA/FSIS).

The Hormonal Substances in Question

Hormonal substances have been administered to animals all over the world for 30 years, including the United States and EC countries, and they have proven safe and efficacious. Hormonal implants became an issue in the EC in 1980 when residues of Diethylstilbestrol (DES), a recognized carcinogen, were found in veal-based baby food. Initially all anabolic agents were banned, but this was later revised to include only DES (which had also been banned in the United States); other anabolic agents were permitted while a complete scientific review of their safety was undertaken (USDA/FSIS).

The main benefits derived from the use of hormonal implants include improved weight gain, leaner meat, more efficient feeding, and enhanced nitrogen utilization. Hormonal substances have been proven safe when used under proper animal husbandry practices, and have been approved by the U.S. Food and Drug Administration, by the Codex Alimentarius of FAO through a FAO/WHO Joint Expert Committee on food additives, and by a 22-member Scientific Working Group (Lamming Committee) appointed by the EC Commission. 2/

The leader of the EC scientific group, Professor Eric Lamming, whose report was suspended just prior to release because of its

favorable findings on synthetic hormones, believes the ban will eventually collapse once implemented. He and other leading European scientists have been cited as arguing that the ban is unscientific, will be impossible to police, and will lead to a huge black market across Europe because hormonal implants make the difference between profit and loss for many livestock farmers (Food Chemical News, October, 1986, pp. 3-9). The greatest fear is that the implants will be improperly administered or controlled because of the ban, which could lead to harmful effects for consumers.

Under the ban, hormones will still be available for therapeutic use when approved by a veterinarian. The possibility still exists that the ban could be somehow modified to allow a wider interpretation of therapeutic use, which would allow some imports from third countries.

Current Situation and Prospects

Internal and external pressure to rescind the ban continues to be exerted, and takes many forms and avenues. The U.K. brought a case to the European Court of Justice which initially led to the ban's overturn early this year. The case was based on the ban's approval by a majority vote of the Council of Agricultural Ministers, rather than by a unanimous vote, and because due regard was not taken of the scientific evidence available. While the U.K. won the case, the decision was based on the procedure in the Commission and not on the scientific evidence. The EC Commission has since reinstated the ban using the proper procedure.

Another case was decided in late January, also at the European Court of Justice. It was brought by a leading French veterinary products manufacturer on grounds that the ban would cause "grave and irreparable damage" to the company, that it was a violation of the GATT which forbids non-tariff barriers to trade, and that the ban was implemented for political reasons and not for health concerns. While the company lost the case, it is reported to have a war chest of several hundred thousand dollars to be spent against the ban (Agra Europe, January 22, 1988).

The United States has filed a case against the EC in the GATT under the Standards Code,

but the EC has blocked the establishment of a 'technical experts group to review the scientific facts of the matter, effectively stopping the proceedings. The United States and the EC also continue to meet bilaterally to find a long-term solution to the issue at the technical level. The day after the ban was to have gone into effect on January 1, 1988, the United States first implemented, then immediately suspended, retaliation. This procedure will permit the U.S. Trade Representative to reimplement the retaliatory measures rapidly if access to the EC market is cut by implementation of the ban. The retaliation list has a value of \$100 million, roughly equal to the 3-year average of U.S. exports to the EC affected by the ban.

Third-Country Meat Directive

The EC was to have begun application to the United States of a Commission directive requiring third-country meat processing plants to adhere to EC standards established for intracommunity trade on January 1, 1988. In response to U.S. pressure, application of the directive was postponed to April 1, 1988 to allow more inspections to take place. U.S. officials were fearful that not enough plants would be approved to allow continuity in U.S. shipments to the EC.

U.S. exports of high quality beef and beef offals do not appear to have been affected as yet by the directive. U.S. inspection of foreign plants exporting to the United States has been required since 1967 (GAO, 21 (USC) 601). The EC set its own standards in 1972, and until last year accepted U.S. practices as equivalent, if not the same as the EC. The strict application of the EC directive has resulted in a substantial reduction in the number of U.S. plants authorized to ship to the EC. Although at present, plants that have been approved have sufficient volume to maintain U.S. export levels, some plants that previously exported to the EC will no longer be able to do so without costly modifications. Other countries that send a relatively high percentage of their beef exports to the EC have complied with the directive, including New Zealand and Australia.

The official U.S. position is that the directive is a discriminatory non-tariff trade barrier which is applied more stringently to

third countries than to member states, and that USDA regulations assure equivalent quality and safety standards. The EC maintains that plants in the EC which ship meat to other EC members must pass the same inspection. The U.S. Trade Representative accepted a 301 petition in July 1987, and subsequently the EC agreed to a GATT panel in December of last year to investigate the Directive. However, the United States and the EC have not been able to agree on panel composition or terms of reference.

Most U.S. facilities approved by EC inspectors have been for cold storage for beef offals or horsemeat, while only a few have qualified for shipment of high quality beef. Some smaller U.S. plants have not made the necessary modifications to pass inspection. Special EC legislation approving imports of sliced livers has been approved, eliminating the cause of a temporary suspension of U.S. exports to the EC.

Administration of High Quality Beef Quota

Problems with administration of the 10,000-metric-ton high quality U.S. beef quota have prevented the quota from being filled in the past. The quota has recently been oversubscribed by importers wanting to insure a supply of U.S. beef to EC consumers. But those granted allotments did not always import their portion of the quota, and past administrative procedures did not permit quota allotments to be reissued once awarded. In an attempt to alleviate this problem, the EC is reviewing the allotments on a quarterly basis, and any unfilled allotment is open for bids in the following quarter.

While the EC is following U.S. suggestions, the quotas continue to be oversubscribed, meaning that demand for quota allotments exceeds the available supply. While in part this represents demand for U.S. beef in excess of supply permitted by the quota, it also reflects existence of a market for quota allotments. It is not uncommon for granted licenses to be resold at a profit. The deposit for those granted allotments was increased from \$20 to \$100 per metric ton, which should have eliminated some of the bidders if speculative gain were the

only source of demand. It appears that the 1987 EC imports of U.S. beef filled the quota. Quotas for the first two quarters of 1988 have again been substantially oversubscribed, indicating that problems continue. Thus, modifications in the administration of the quota have been requested again.

EC Dairy Sector Continues To Face Radical Changes

In spite of recent measures to reduce EC milk supplies, it appears that in the long run the EC dairy sector will continue to be plagued by overproduction and structural surpluses. This is likely to occur even though milk deliveries for 1988 are expected to decline by 3 percent, and foreign demand for milk protein has recently strengthened. The central factors in future EC overproduction are the likely increase in productivity resulting from yield-enhancing biotechnology and the economic restructuring of the dairy sector.

Technological advances center on embryo transplants, robot milking, and bovine somatotropin (bSt), a recombinant DNA technique that regulates the endocrinological system. Introduction of these technologies over the next few years will likely increase yields by 25 to 60 percent. The combination of new technology and the transfer of milk quotas will likely accelerate the trend to larger, more efficient dairy farms and dairies in the EC, while the EC dairy herd shrinks.

This will all occur while world demand is likely to be declining because of higher self-sufficiency ratios for milk and stagnant economic growth. Furthermore, EC consumers are ever more conscious of the health and weight considerations of animal fat consumption. One estimate puts the EC-12 surplus at 10 million metric tons in 1990 (Buckwell).

The future surpluses will occur against a background of severe adjustments begun in 1984. While milk deliveries exceeded quotas in 1985 and 1986 because of a low superlevy, the quota was reduced and the superlevy was sharply increased in 1987 and through the 1988/89 season. Indications are that milk deliveries have declined by 5 percent for the 1987/88 season which ended March 31.

However, because of high butter fat levels deliveries would have had to decline by a greater amount to have met the quota, which is based on fat content since over half the milk delivered is processed into butter and skim milk powder (SMP). While the EC is expected to meet the next dairy quota cut of 2.5 percent in June 1988, internal pressure to raise prices and abolish or stabilize the quota in the 1990's will likely produce a buildup of butter and SMP stocks in the long run.

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NONGRAIN FEEDS IN THE EC AND IMPLICATIONS OF PROPOSED POLICY REFORMS

by

Walter H. Gardiner

ABSTRACT: EC imports of nongrain feeds increased sharply during the 1970's and early 1980's in line with rapidly expanding livestock production, wider use of manufactured feeds, rising prices for domestic feeds, and null or low duties on nongrain feed imports. In response to burgeoning surpluses for grains and livestock products, along with the financial crisis confronting the Common Agricultural Policy, the EC Commission has proposed and implemented various policy measures to restrain imports of nongrain feeds. A number of studies indicate that a reduction of EC support prices, rather than restrictions on nongrain feed imports, would be more effective in reducing grain surpluses. Attempts by the EC to limit nongrain feed imports have been a major source of friction between the EC and its trading partners, and will likely be an important issue in the current round of GATT negotiations.

Keywords: Nongrain feeds, imports cereal substitutes, European Community, Common Agricultural Policy.

Introduction

Nongrain feeds refer to the variety of raw materials used by the European Community's (EC) compound feed industry in manufacturing livestock feeds. Nongrain feeds in this article are limited to those products that the EC Commission labels "cereal substitutes," which they define as:

"...feedingstuffs (mainly non-cereals and certain cereal products) which are imported into the Community without import levies, or with low levies which can thus displace Community feedgrains from compound feeds by virtue of their relatively low price" (Agra Europe, Sept. 2, 1985).

Nongrain feeds include primary commodities such as manioc and sweetpotatoes, as well as byproducts of industrial processing such as wheat bran, corn gluten feed, corn germ cake, brewers' and distillers' grains, sugar beet pulp, citrus pulp, and other fruit waste.

This article describes the role of nongrain feeds in the EC's feed-livestock sector, the debate over "cereal substitutes" in the EC, policy reform measures to deal with

commodity surpluses and the budget deficit, and studies which analyze the effects of proposed measures to limit nongrain feed imports into the EC. The EC Commission's recent proposal to subsidize the use of grain in compound feed as part of the 1988/89 farm price package represents the latest attempt to reduce grain surpluses in the EC and limit nongrain feed imports.

EC Imports of Nongrain Feeds

EC imports of nongrain feeds grew at an annual rate of 13 percent between 1970 and 1982, from 3.7 million tons to 16.2 million (table 1). Around 1.3 percent of the growth was due to the entry of the United Kingdom, Ireland, and Denmark to the EC after 1973. Imports of grain feeds declined to 13.6 million tons in 1984 and recovered somewhat in 1986 to 15.0 million, or about 7 percent below the peak level of 1982. However, this increase was due to the entry of Spain and Portugal into the EC in 1986. EC nongrain feed imports excluding Spain and Portugal would have totaled around 14.1 million tons in 1986.

Manioc, also known as cassava or tapioca, has been the most significant of the nongrain feeds imported by the EC in recent years,

Table 1--EC imports of selected nongrain feeds from nonmember suppliers

NIMEXE code	Commodity	1970	1975	1980	1981	1982	1983	1984	1985	1986
1,000 tons										
0706.30 1/	Manioc	1,352	2,222	4,866	6,677	8,101	4,505	5,257	6,336	5,822
0706.90	Sweetpotatoes	12	115	324	88	55	142	101	351	602
2302.01 2/	Corn and rice brans: max. 35 percent starch	81	267	233	279	222	265	190	80	11
2302.09	Corn and rice brans: over 35 percent starch	-	-	5	5	6	7	4	3	3
2302.21 3/	Wheat brans: max. 28 percent starch	1,073	1,237	1,707	1,704	1,733	1,679	1,001	887	665
2302.29	Wheat brans: over 28 percent starch	-	-	5	6	2	7	1	3	4
2303.15 4/	Corn gluten feed	598	930	2,596	2,837	2,842	3,566	3,734	3,542	4,098
2303.81 5/	Sugar beet pulp	-	176	190	284	390	529	417	488	321
2303.90	Brewers' and distillers' grains	453	57	290	365	377	498	416	436	633
2304.06	Corn germ cake: less than 3 percent fat	-	465	856	790	735	735	609	530	571
2304.08	Corn germ cake: 3-8 percent fat	-	60	202	242	328	570	427	428	869
2306.20	Grape marc	-	10	38	57	35	42	38	8	0
2306.50 6/	Citrus pulp	97	480	1,571	1,351	1,265	1,430	1,322	1,467	1,237
2306.90	Other fruit waste	32	56	156	103	130	157	95	106	207
Total 7/		3,698	6,075	13,039	14,788	16,221	14,132	13,612	14,665	15,043

- = Not available.

1/ NIMEXE codes 0706.10 and 0706.20 for 1983-86. 2/ NIMEXE code 2302.11 for 1970 and 1975. 3/ NIMEXE code 2302.13 for 1970 and 1975. 4/ NIMEXE code 2303.10 for 1970. 5/ NIMEXE codes 2303.51, 2303.53, and 2303.59 for 1986. 6/ NIMEXE code 2306.10 for 1970. 7/ EC-6 for 1970, EC-9 for 1975 and 1980, EC-10 for 1981-85, and EC-12 for 1986.

Source: Statistical Office of the European Community (EUROSTAT), Analytical Tables Foreign Trade, NIMEXE, Vol. A, Brussels, various years.

followed by corn gluten feed, wheat bran, and citrus pulp. The principal exporters of nongrain feeds to the EC are Thailand and Indonesia for manioc, the United States and Argentina for corn gluten feed, Argentina and Canada for wheat brans, and Brazil and the United States for citrus pulp. The major EC importers of nongrain feeds are the Netherlands and West Germany, followed by Belgium and the United Kingdom (EUROSTAT).

The United States is the largest supplier of nongrain feeds to the EC, with shipments of 6.06 million tons in 1986, or 40 percent of EC imports (fig. 1). This compares with only 743,000 tons, or 20 percent of the total, in 1970.

In terms of value, EC imports of nongrain feeds have risen tenfold from 238 million European Currency Units (ECU) in 1970 to a peak of 2.37 billion ECU in 1983 (fig. 2). Since then, the value of imported nongrain feeds has declined about 10 percent to 2.13 billion ECU in 1986, due to smaller volume and lower prices for nongrain feeds.

In dollar terms, EC imports of nongrain feeds reached their peak in 1980 at \$2.3 billion, up nearly tenfold since 1970 (fig. 3). The strengthening dollar against the ECU beginning in 1981 caused import values to fall in dollar terms over the next 3 years, in

contrast to rising values in ECU terms. Nongrain feed import values dropped to \$1.65 billion in 1985, or 28 percent below the peak of 1980, as the dollar continued to strengthen against the ECU. A weakening of the dollar in 1986 is reflected in the 27-percent rise in dollar-denominated imports that year, in contrast to the 1-percent decline in ECU-denominated imports.

The value of EC imports of U.S. nongrain feeds rose from 55 million ECU (\$56 million) in 1970 to a peak of 1.03 billion ECU (\$913

Figure 1
EC Imports of Nongrain Feeds

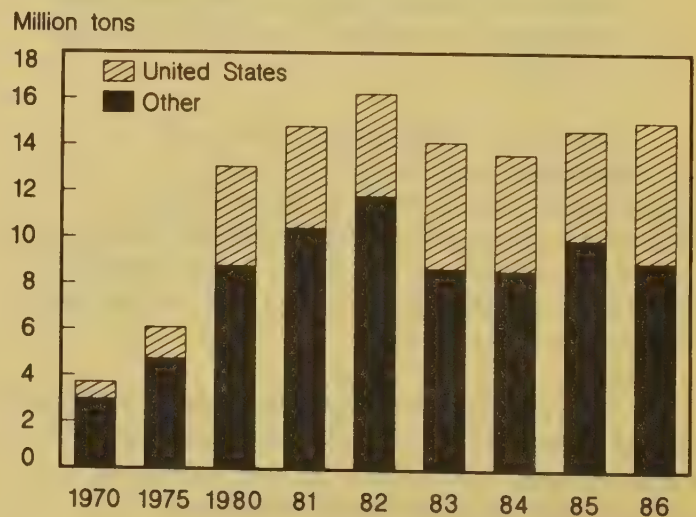


Figure 2

Value of EC Imports of Nongrain Feeds

Billion ECU

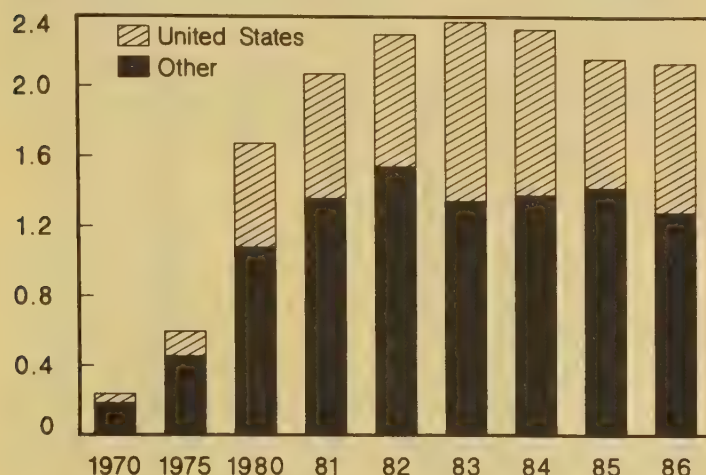
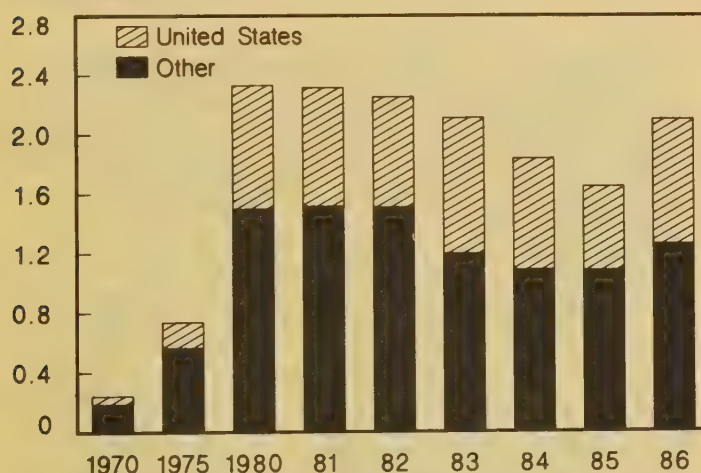


Figure 3

Value of EC Imports of Nongrain Feeds

\$ U.S. billion



million) in 1983, and fell to 855 million ECU (\$841 million) in 1986 (figs. 2 and 3). As a percentage of the total value of nongrain feed imports, the U.S. share rose from 23 percent in 1970 to 43 percent in 1983, but declined to 40 percent in 1986.

Nongrain Feeds In the EC Feed Sector

The sharp rise in EC imports of nongrain feeds during the 1970's and early 1980's is associated with the shift toward more intensive livestock production systems, increased demand for compound feeds, duty-free access or low rates of duty for nongrain feeds, and high support prices for EC

grains. Furthermore, EC countries with strong currencies (West Germany, the Netherlands, Belgium, and Denmark) have found imported nongrain feeds and oilseed meals to be a relatively cheap source of animal nutrition.

Monetary compensatory amounts (MCAs—see Glossary) have been applied to grains in some EC countries to prevent distortions caused by currency fluctuations. This raises the price of grains on markets in EC countries with relatively strong currencies, making it even more attractive to import nongrain feeds and oilseed meals, which are not subject to MCAs. Efficient port and inland transportation systems and the convenient location of compound feed manufacturers further enhance imported feed use in these countries (Neville-Rolfe and others).

During the same period of rising nongrain feed imports, the composition of EC feed consumption changed. The most significant change has been the rising share of protein meals and the declining shares of grains, while nongrain feeds have exhibited somewhat cyclical behavior (fig. 4).

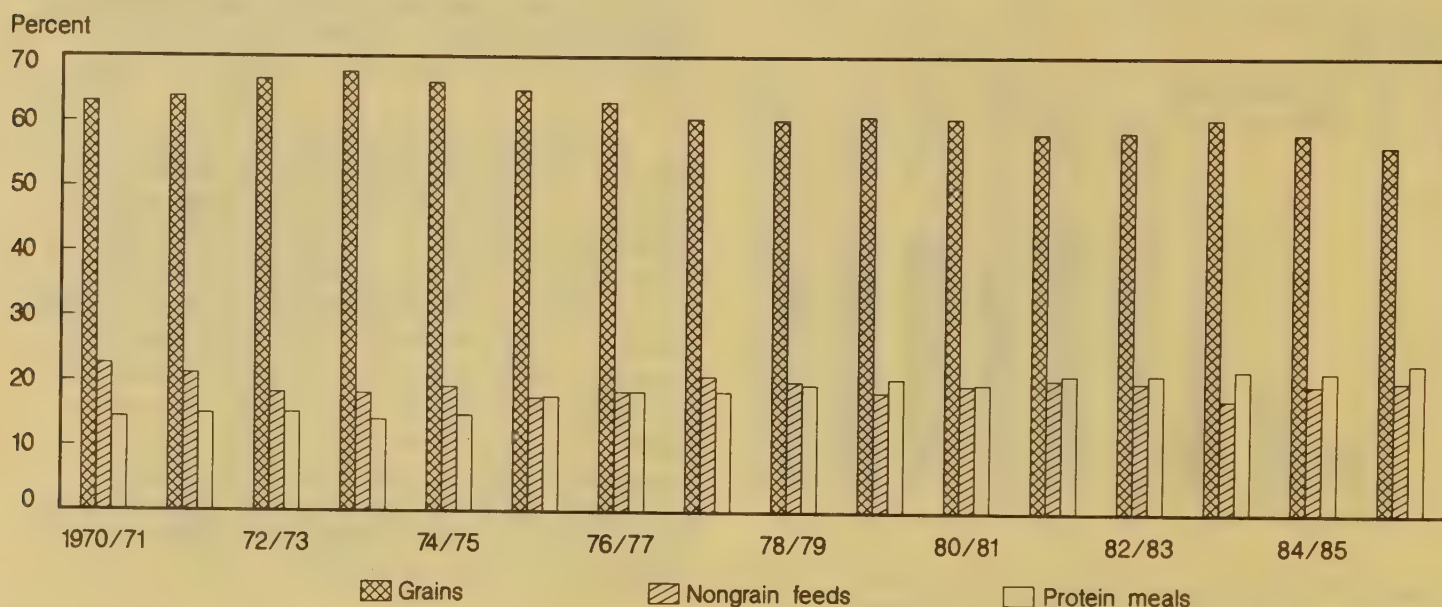
EC feed use of grains rose from 63 percent of total feeds in 1970/71 to a peak of 68 percent in 1973/74, then fell to a low of around 56 percent in 1985/86. Feed use of wheat and barley increased during this period, while the use of corn and other grains declined. The share of protein meal expanded from 14 percent in 1970/71 to 23 percent in 1985/86. Most of this growth was attributed to increased feeding of soybean meal and rapeseed meal, which offset declines in fishmeal use during this period.

The share of nongrain feeds declined from 23 percent in 1970/71 to lows of 17.5 percent in both 1975/76 and 1983/84 as a result of a sharp drop in feed use of potatoes, but recovered somewhat in 1985/86 to around 20 percent of total feed use. Nongrain feeds, excluding potatoes, increased from 10.5 percent of feed use in 1970/71 to 15 percent in 1985/86, with most of the increase due to manioc and corn gluten feed.

Unlike grains, most oilseed meals and nongrain feeds enter the EC duty free or at relatively low tariffs because of agreements reached under GATT negotiations in the early

Figure 4

EC Disappearance of Selected Feeds

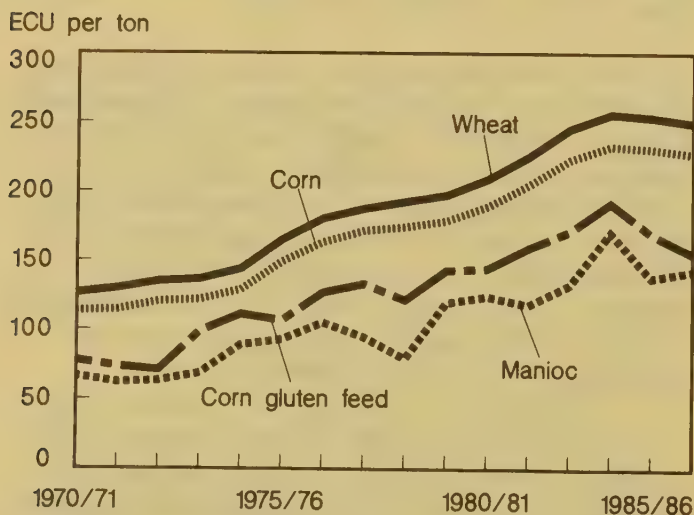


1960's. The EC agreed to no or reduced tariffs for many of these feedstuffs during the Dillon Round of trade negotiations, as compensation to the GATT contracting parties for acceptance of the Common Agricultural Policy (CAP). The CAP, in turn, has kept EC grain prices above those of various imported feeds. Import prices of manioc and corn gluten feed at Rotterdam have been substantially below EC threshold prices for corn and common wheat (fig. 5).

Over the period 1970/71–85/86, manioc prices averaged 45 percent below the EC threshold price of wheat and 39 percent below that of corn. Prices of corn gluten feed averaged 32 and 25 percent below the threshold prices for wheat and corn, respectively. These differentials have prompted compound feed manufacturers to seek cheaper sources of feed ingredients. The rise in EC imports of nongrain feeds over the past 15 years demonstrates the profitability in using these products, though their share in total feed use has not changed much since the early 1970's.

Figure 5

EC Grain and Feed Prices



The Cereal Substitute Problem

Large surpluses in the EC's grain and livestock sectors and large budgetary outlays in administering the CAP have sparked interest in policy reform.

Certain groups in the EC have attributed these problems to increased imports of certain nongrain feeds, or so-called "cereal substitutes." Pressure from some EC grain producers and the CAP's financial crisis have prompted calls for restricting imported feeds (Agra Europe, Jan. 1981). Other groups, particularly EC feed compounders, livestock

producers, and exporters of these feeds, point to high EC grain prices as the reason for the imbalance in the grain market. These groups have proposed a reduction in EC grain prices as a solution to the problem. They claim that restrictions on imported feeds would not increase grain usage, but would lead to increased feeding costs, reduced livestock production, and higher unemployment.

The "problem of cereal substitutes" was the subject of a special article in the EC Commission's 1980 annual report on the Agricultural Situation in the Community. The Commission noted that the CAP's system of price supports and import levies for grain and livestock products, while various feeds are permitted duty-free access, has led to a disequilibrium in EC agriculture. The subsequent increase in the use of feed supplements and more intensive livestock systems has led to a sharp rise in the production of livestock products and larger budget outlays for surplus disposal.

The burdensome cost of EC dairy policies in the form of higher consumer prices and large export restitutions, as well as lower world prices and smaller market shares for competing exporters, has given way to strong pressure from both inside and outside the EC for policy reform. Some EC officials point to the sharp increase in the use of soybean meal and nongrain feeds in dairy rations as the reason behind high milk yields and corresponding surpluses (Agra Europe, May 18, 1984, p. E/4). Others, particularly those in the compound feed and livestock industries, hold a contrary view of the role of imported feedstuffs. They see the relatively cheap imported feeds as benefiting livestock farming and processing industries with higher employment, and benefiting consumers with cheaper livestock products (European Feed Manufacturers' Federation).

Proposal to Restrict Nongrain Feed Imports

Some of the most controversial EC policy reform measures in the 1980's have been proposals to restrict nongrain feed imports to deal with commodity surpluses and budgetary problems. The EC debated a variety of proposals concerning imported nongrain feeds in 1981: voluntary restraint agreements on

manioc, higher levies on brans, and limits on corn gluten feed. However, no new restrictions were imposed that year due to internal differences over the issue between cereal producers (primarily in France) and major consumers of nongrain feeds (the Netherlands, West Germany, and the United Kingdom). The United States and other exporters of nongrain feeds also expressed their concerns over the restrictive proposals.

On April 7, 1982, the EC Commission announced its proposals to limit imports of selected nongrain feeds. The EC Commission sought authority from the EC Council of Agricultural Ministers to negotiate with the United States for a duty-free quota of 3 million tons on corn gluten feed. Imports over the quota amount would be subject to a levy. The EC would have to renegotiate the GATT binding, which calls for duty-free access on corn gluten feed.

The U.S. Congress voted unanimously for a resolution calling on President Reagan to tell the EC Council of Agricultural Ministers that any trade restrictions on corn gluten feed would seriously affect trade relations between the EC and the United States. The EC's "113 Committee," an intergovernmental committee on trade, turned down the Commission's request to renegotiate the bindings on corn gluten feed (Agra Europe, 1982).

In August 1982, the EC implemented an import licensing system for corn gluten feed, distillers' grains, citrus pulp, and sweetpotatoes. The aim of the system is to incorporate these products into the common organization of the grain market and provide a statistical check on imported quantities of corn gluten feed and other feed materials. The Commission claimed that statistics from national governments were inadequate.

The move was seen by some as a first step toward limiting imports of corn gluten and other feed materials. But, so far, the licensing system has been nonrestrictive in that licenses have been freely granted.

The EC increased its import levies on brans in 1982 to further curb imports of this nongrain feed. The Commission believed that by importing wheat byproducts, the EC was indirectly assisting its competitors' flour milling industries, as well as EC millers who

were using the inward processing system (see Glossary). The EC Commission exempts the payment of import levies on imported grains for processing and subsequent export. The EC phased in the levy over a 4-year period, charging a levy equal to 0.12 times the full cereal levy in 1982/83, 0.14 in 1983/84, 0.16 in 1984/85, and 0.20 in 1985/86.

Limitation on imports of certain nongrain feeds used for animal feed was part of the Commission's CAP reform proposal released in July 1983. The Commission claimed that imported nongrain feed ingredients reduced the grain portion in compound feed, causing greater expenditure on intervention buying of EC cereals to remove the surpluses from the market. The Commission also blamed imports of soybeans and soybean meal for undermining the EC cereal market and for contributing to the expansion of dairy production. In the Commission's view, feed compounders were using soybean meal and nongrain feeds not merely as a cheap protein ingredient but as a replacement for EC-produced cereals.

Import restrictions on certain nongrain feeds were also regarded as counterparts to proposed CAP reforms, particularly limits on price increases and the extension of the guarantee threshold system for cereals. The Commission believed that limiting the availability of cheap nongrain feed ingredients to EC livestock producers would result in increased use of EC cereals, alleviating the budgetary burden of cereal market support.

In November 1983, the United States and the EC held technical consultations to discuss EC proposals to restrict nongrain feeds. The United States presented evidence that corn gluten feed had not displaced EC grain in feed rations, but rather that high EC grain prices were to blame. The United States suggested that the EC lower its grain prices to solve its surplus grain problem rather than shifting the burden of adjustment to third countries.

In January 1984, the Commission issued a proposal to limit imports of corn gluten feed, brewers' byproducts, and corn germ cake to specified duty-free levels, above which they would be subject to variable levies (table 2). The import ceiling on corn gluten feed would be set at 3 million tons, nearly 10 percent below the 1982/83 level.

The Commission included brewers' byproducts and corn germ cake in the quota reportedly out of fear that U.S. exporters would circumvent the expected duty on corn gluten feed by increasing shipments of other corn milling byproducts. Duty-free imports of brewers' byproducts would be limited to 400,000 tons and corn germ cake would be limited to 1.15 million tons. These import ceilings correspond with average EC imports over the 1980/81-1982/83 marketing year.

Citrus pellet imports, primarily from Brazil and the United States, were omitted from the original Commission proposal. The Commission considered that these imports were unlikely to increase very much and, therefore, would not pose a threat to cereal use.

The U.S. Government objected strongly to the EC's proposed import restrictions and planned to introduce countermeasures. Restrictions on French and Italian wines and French dairy products were mentioned as possibilities (Agra Europe, June 8, 1984). In October 1984, the EC offered to increase its planned duty-free quota of 3 million tons for corn gluten feed imports to 3.4 million tons. EC officials indicated that the proposed duty-free quota coincided with the nearly 3.4 million tons of U.S. corn gluten feed sent to the EC in 1982/83. However, the United States remained firm in its opposition and urged the EC not to implement the restrictions. The EC chose not to implement them due to mixed support within the Community and strong opposition from exporters of corn byproduct feeds.

The debate over imported nongrain feeds subsided throughout 1985 as EC demand for

Table 2--EC Commission's proposed limits on nongrain feed imports

Feed	1982/83 imports	Proposed quota 1/	Difference
		1,000 tons	
Corn gluten feed	3,350	3,000	350
Brewers' byproducts	475	400	75
Corn germ cake	1,260	1,150	110

1/ January 1984.

Source: Agra Europe, Mar. 23, 1984.

these feeds stabilized. However, calls for import restrictions on corn gluten feed re-emerged in 1986 over a dispute with the United States concerning the loss of U.S. grain sales to Spain and Portugal following their accession to the EC. The United States claimed losses of \$400 million and threatened import duties on a wide range of EC food products unless compensated.

The EC countered with proposals to impose import duties on corn gluten feed, soybean meal, and a variety of other U.S. exports. The United States and the EC negotiated for the rest of the year to diffuse the conflict, and on January 29, 1987, reached an accord over compensation for the loss of U.S. export sales. Under the agreement, negotiated under Article 24/6 of the GATT, Spain is required to import 2 million tons of corn and 300,000 tons of sorghum annually through 1990 from non-EC countries. However, these import levels are to be adjusted downward by any increase in Spain's imports of selected nongrain feeds--corn gluten feed, distillers' grains, and citrus pulp.

The issue of import restrictions on nongrain feeds was rekindled in October 1987, when the EC Commission established its negotiating position for the Uruguay GATT round (Agra Europe, Oct. 9, 1987). One of the EC's goals is to achieve a balanced level of protection; that is, it wants to trade reductions in cereal import levies and export restitutions for increased restrictions on imports of nongrain feeds and oilseed meals. The United States strongly opposed the EC's proposal and stressed the importance of maintaining continued access to the EC market for nongrain feeds.

The latest development with implications for nongrain feed imports is an EC Commission proposal to subsidize the use of grain into compound feed. The proposal was submitted to the Agriculture Council in Brussels on March 23, 1988, as part of the 1988/89 farm price package.

The United States strongly protested the subsidy scheme as an attempt to displace nongrain feeds and oilseeds products from the EC market, and for being inconsistent with the EC's obligation under the GATT (Agra Europe, Mar. 31, 1988). This follows a somewhat similar protest by the U.S. soybean industry in

1987 over EC production subsidies for oilseeds, which sharply increased EC oilseed production beginning in 1981 and contributed to the reduction in EC imports of U.S. oilseeds and products.

The debate over access to the EC market for nongrain feeds is likely to remain a thorny issue between the EC and exporting countries in 1988, and throughout the current round of GATT negotiations.

CAP Reform and Implications For Nongrain Feeds: A Survey of Recent Studies

A number of recent studies analyze the economic effects of the proposed measures for reforming the CAP. Some of these studies concentrate on nongrain feeds, or the cereal substitute issue. Others evaluate the effects of import restrictions on nongrain feeds and/or price reductions for EC grain. This section summarizes the results of these studies.

The European Feed Manufacturers' Federation (FEFAC) studied EC imports of feed ingredients in response to the EC Commission's proposal to restrict them. The Federation concluded that the proposal would not solve the EC surplus grain problem. Limiting price increases and aligning EC prices with world levels are the solution. FEFAC determined, with regard to the role of nongrain feeds in livestock feed rations, that manioc is the only imported feed ingredient that deserves the label "cereal substitute." Because of its high energy content and favorable price, manioc has displaced some grain in EC feed rations. This displacement and the increasing share of cattle feeds in total EC feed production have reduced cereal use in compound feeds. Cattle feeds in the EC contain mostly industrial residues and little to no grain.

The study also noted that most other imported industrial residues used in animal feed, especially corn gluten feed and citrus pulp, have not substituted for grain in compound feedstuffs but have substituted for other ingredients with similar feed value, depending on prevailing prices. Corn gluten feed mainly replaced wheat brans and secondary oilseed meals, such as copra and palm kernel meal, and the progress of citrus

pulp use was mainly at the expense of sugar beet pulp and brans.

Studies by U.S. agricultural attaches of USDA's Foreign Agricultural Service focused on the substitutability of feed ingredients in Dutch and German compound feeds as prices varied. The analysis was carried out with least-cost feed ration programs used by German and Dutch feed compounders. These studies basically supported FEFAC's conclusions. The general findings were as follows:

- o If imports of corn gluten feed were banned, other proteins would be substituted, particularly soybean meal and copra meal in cattle rations. Grain consumption would increase marginally, if at all.
- o If EC grain prices were lowered to world levels, grain use would increase sharply, particularly in swine and poultry rations; use of manioc and citrus pulp would drop off; and use of corn gluten feed would decline moderately.
- o A restrictive import policy on selected nongrain feed ingredients would raise imports of other feed products also bound at low or zero duties. If the EC intends to stimulate consumption of domestic grains by limiting imports, it has to restrict imports of all nongrain feed ingredients.

Surry and Moschini studied input substitution in the EC compound feed industry. They estimated a cost function of compound feed production with three inputs (cereals, cereal substitutes, and high-protein feeds) and three outputs (cattle, hog, and poultry feeds) for Belgium and the Netherlands. The results of the study indicate:

- o All direct price elasticities for each input have absolute value between zero and 1, indicating an inelastic (low) response to price.
- o Cereal substitutes (brans, cassava, molasses, and citrus pulp) and high-protein feeds (soybean meal, other oilcakes, animal meal, and corn gluten feed) are complements.

- o Both cereal substitutes and high-protein feeds each substitute for cereals (wheat, barley, and corn).

The policy implication is that raising prices of all high-protein feeds or cereal substitutes through some form of trade intervention or consumption tax will increase cereal consumption, but less than an equivalent percentage reduction in cereal prices. It should be noted that the authors classify corn gluten feed as a high-protein feed rather than as a cereal substitute.

In a study of the EC feed-livestock sector, Leuck used results from both econometric models and linear programming models to assess the effect of selected EC pricing policies.

From discussions with European feed experts, the following rations were determined to substitute for 1 ton of grain:

- o 600 kilograms of cassava + 400 kilograms of corn gluten feed.
- o 800 kilograms of cassava + 200 kilograms of oilseed meal.

Leuck used the two rations to derive an aggregate feed relationship among cassava, corn gluten feed, grains, and oilseed meal.

One of the EC policy proposals Leuck addressed was the convergence of EC grain prices with world levels without reductions in livestock prices. Because Leuck's model did not contain price-responsive demands for nongrain feeds, the effect of the price change was evaluated at two extreme cases:

- o Nongrain feeds were assumed to be consumed at historical (1979) levels; and
- o Nongrain feeds were eliminated from use.

In the first case, lowering EC grain prices to world levels causes EC grain use to rise around 4.3 million tons and soybean meal use to rise 7 million tons. In the second case, grain use increases 12.4 million tons and soybean meal use increases 6.9 million tons, implying that nongrain feeds are replaced entirely with grains.

In another study, McKinzie, Paarlberg, and Huerta estimated a complete set of own-

and cross-price elasticities for feed ingredients in the Netherlands to determine the interrelationship between feed ingredients, and to evaluate the implications of these estimates in the context of EC proposals to impose trade restrictions on nongrain feed. Their estimation technique used least-cost feed ration models for three types of livestock feed (broiler, dairy, and swine) to generate three sets of pseudo demand data from a sample of different feed ingredient prices. A least-squares curve-fitting procedure was used to approximate derived demand relationships for the generated data. The authors computed a set of own- and cross-price elasticities for the total Dutch compound feed industry by weighting individual feed elasticities across livestock rations. The aggregate elasticity estimates indicate the following:

- o Wheat and coarse grains are nearly perfect substitutes.
- o Manioc, corn gluten feed, citrus pulp, animal protein, and corn gluten meal substitute for wheat and coarse grains.
- o Oilseed meal and dried brewers' grains complement wheat and coarse grains.
- o Grain byproducts substitute for wheat but complement coarse grains.

The study concluded that restricting imports of a specific commodity, such as corn gluten feed, would sharply curtail the commodity's usage, but use of other nongrain feeds would rise accordingly. Thus, to stimulate EC grain consumption in feed rations, imports of all current and potential substitutes would have to be restricted, or grains prices would have to be lowered relative to other feeds.

Hillberg (1986) used a simulation model of the West German manufactured feed economy to evaluate EC measures to restrict imports of "grain substitutes" and to lower domestic grain prices. The model consisted of two sets of least-cost linear programming models representing West German feed demands, a system of equations for import supply of grain substitutes and soybean meal, and a set of demand equations for mixed feeds.

The results indicate that restricting imports of grain substitutes slightly increases grain demand by West German feed manufacturers. Import quotas on manioc

reduce its use and increase grain use, especially in northern German swine and broiler rations. However, higher feed costs resulting from the quotas reduce demand for finished rations, thus moderating the substitution of grain for manioc. Import quotas on corn gluten feed reduce its use and increase use of soybean meal and barley.

A reduction in grain prices increases grain use without significantly altering nongrain feed use. Lower grain prices are followed by a decline in nongrain feed prices, lowering the cost of finished rations and increasing their demand. In terms of substitution relationships, manioc combined with soybean meal has the characteristics of a grain substitute, while corn gluten feed appears to act more like a protein feed.

Gardiner developed a three-region (United States, EC, and rest of the world) econometric model of the markets for corn, wheat, soybeans, and corn byproduct feeds to analyze the market effects of alcohol fuel production from corn. Particular emphasis was placed on the effects of the increased supply of corn byproduct feeds (corn gluten feed, corn gluten meal, and distillers' dried grains) on related commodity markets. The model accounted for interactions between corn byproduct feeds and corn and soybean meal by incorporating feed ration results from studies by Chattin and Hillberg (1984). Alcohol fuel production levels of 1.1, 2, and 3 billion gallons were analyzed under three alternative policy environments for corn gluten feed—free trade, EC import quota of 3 million tons, and EC quota plus restricted trade in other markets.

The results of this study indicate that increased supplies of corn byproduct feeds from alcohol fuel production displace corn, soybean meal, and other feeds from livestock rations in all three regions. The price-increasing effects of using corn to produce alcohol fuel are somewhat moderated by the larger supplies of corn byproduct feeds, which also lower soybean meal prices. The lower soybean meal prices, while benefiting feed compounders, livestock producers, and importers, reduce crushing margins for soybean processors. Increased imports of corn byproduct feeds by the EC and the rest of the world reduce U.S. exports of both corn and soybean meal.

An EC import quota of 3 million tons on corn gluten feed reduces U.S. sales of corn gluten feed to the EC and lowers income to U.S. ethanol producers and other corn millers. Lower EC imports of corn gluten feed are partially offset by increased imports of corn and soybean meal for feed. The quota also slightly depresses corn and soybean meal prices. Because the study model did not account for all nongrain feeds and protein meals use in EC feed rations, the quota on corn gluten feed would likely increase EC imports of these other feeds, and consequently have a smaller impact on corn and soybean meal imports.

To address the debate over the role of corn gluten feed as a cereal substitute or a protein substitute, Boyd and Brorsen investigated the price relationships among corn gluten feed, soybean meal, corn, and barley in the United States and in Europe. The authors constructed time series models using weekly cash price data for the period January 1, 1978, to the first week of April 1984. They tested for causality to determine the direction of the price adjustments, and computed correlations of price changes to determine substitution and complementary relationships among the feeds. Finally, they calculated dynamic multipliers to show, in addition to the direction of change, the magnitude and the speed of price adjustment.

The results of the causality tests show that both the Rotterdam markets for corn gluten feed and soybean meal lead the Chicago markets for these products in price discovery (determination). In addition, prices for corn gluten feed and soybean meal are discovered on the demand side in Rotterdam rather than on the supply side in Chicago. The results of the correlation analysis indicate that Rotterdam corn gluten feed and soybean meal behave as strong economic substitutes rather than as complements. West German barley was a weak substitute for Rotterdam corn gluten feed and soybean meal. The authors conclude that if the EC restricted corn gluten feed imports they would be replaced principally by soybean meal or other protein substitutes and not by EC grains. These results support previous studies by FEFAC, Hillberg, and the USDA.

In a study of the welfare effects of various EC market regulations, de Veer

addressed the "cereal substitute" problem. He found that developments in processing technology, management systems, nutrition, transportation, and the wide variety of raw materials available to feed compounders have increased substitution among feeds and expanded opportunities for evading the price-increasing effect of the CAP on grain. Although he admits that precisely which materials are substitutes for grain is difficult due to the complex nature of feed formulation, de Veer notes that certain feedstuffs are associated with the drop in EC cereal use. From a list of feasible feed mixtures, corn gluten feed was shown to be a strong substitute for soybean meal and both a complement and a slight substitute for corn. Manioc is a strong substitute for corn and a complement for soybean meal and corn gluten feed.

De Veer stated that importing cereal substitutes free of duty has increased EC budgetary costs and led to welfare losses due to negative terms of trade and inefficient trade flows. Although he admitted that import restrictions are "not nice instruments," he claimed they would be effective in reducing the budgetary cost of the CAP and mitigate the downward pressure on EC cereal prices.

However, de Veer warned that import barriers of any form would likely bring retaliation from exporters, particularly the United States, and cause severe hardship for some developing countries, such as Thailand. He proposed instead a revision of the CAP and its protective system to obtain a more balanced level of protection across commodity sectors. Specifically, de Veer suggested a decrease in protection of the most protected commodities (presumably grains) and an increase in protection of the least protected commodities, particularly fats, oils, and cereal substitutes. This is similar to the proposal tabled by the EC at the GATT in October 1987 and study recently sponsored by the EC Commission (Koester).

The proposal for balanced protection for EC agriculture was recently addressed by Mahe using a comparative statics agricultural trade model of the EC, other market economies, and centrally planned economies. The model takes into account interactions among cereals, oilseeds, cereal substitutes (manioc, corn gluten feed, etc.), beef, pork

and poultry, milk, and sugar. The model uses a set of assumed direct and cross price elasticities of supply and demand taken from previous studies. The models' demand elasticities treat oilseed meals and cereal substitutes as complements which, in turn, substitute for cereals. The same set of elasticities are used for the EC and the other market economies.

Mahe uses the model to simulate four policy scenarios:

- (1) 10 percent less protection on EC cereals,
- (2) 10 percent less protection on EC cereals, plus a 30-percent increase in protection on oilseed meals,
- (3) 10 percent less protection on EC cereals, plus a 30-percent increase in protection on oilseed meals and cereal substitutes, and
- (4) 10 percent less protection on EC cereals, plus a 30-percent increase in protection on oilseed meals and cereal substitutes, and a 30-percent increase in the supply price of cereal substitutes.

The first scenario has the smallest increase in feed consumption (cereals +7.1 percent, oilseeds -3.1 percent, cereal substitutes -5.8 percent), while scenario 4 has the largest consumption impacts (cereals +24.0 percent, oilseeds -19.4 percent, cereal substitutes -27.8 percent). EC budget costs are reduced 7.1 percent in the first scenario, and the budget actually has net revenues in scenarios 3 and 4.

Mahe concludes that the move toward balanced protection:

- o creates large substitutions between cereals, and oilseed meals and cereal substitutes,
- o alters trade patterns substantially,
- o generally increases world prices slightly (except oilseed meals and cereal substitutes),
- o significantly affects budget costs and balance of payments of some countries.

He acknowledges, despite the limitations of this study, that the theory of uniform tariffs would make sense for EC agriculture. He advocates a more disaggregated model with refined parameter estimates to illustrate

the impacts of the balanced protection proposal in a more realistic way.

Conclusions

The debate over limiting imports of nongrain feeds or "cereal substitutes" in the EC highlights the problems of conflicting policies within the CAP, competing interests within the EC, and disputes over market access between the EC and its trading partners. EC officials claim that measures such as quotas and levies on imported feeds are a necessary component of an overall policy reform package designed to address the EC's problems of surplus production and high budget costs. By restricting imports of nongrain feeds, the EC hopes to increase the use of grains in feed rations, raise revenue from import levies, and reduce expenditures on costly storage and export disposal schemes.

Most of the studies surveyed in this article suggest that the EC will not solve its commodity surplus and budgetary problems by restricting imports of selected nongrain feeds. Cutting agricultural support for surplus commodities, particularly grains, is the most widely held prescription. Two studies predict that import restrictions on feeds would raise cereal consumption in the EC and reduce the EC's budget costs, but would cause budgetary and balance-of-payment problems for some exporting countries.

Precisely which feeds would replace those feeds limited by import restrictions has been the subject of a great deal of research, and there is a range of possible outcomes based on differences in assumptions about the nutritional role of certain nongrain feeds. This is particularly true for medium-protein feeds, such as corn gluten feed, corn germ meal, and brewers' and distillers' grains, which provide protein and energy as well as important vitamins and minerals. Some studies treat these feeds as energy feeds (or cereal substitutes) while others treat them as protein, vitamin, or mineral supplements.

In the complex world of feed compounding, especially in the EC, where numerous feed ingredients are used, it is very difficult to classify an individual feed (particularly the medium-protein feeds) as a

cereal substitute or an oilseed meal substitute. For a given type of livestock feed, and the price and availability of all possible feed ingredients, the compounders' feed formulation program will select those ingredients that satisfy the nutritional requirements of the livestock feed for the least cost. Any feed ingredient that enters the ration displaces a certain amount of protein, energy, fiber, vitamins, and minerals provided by other feed ingredients that leave the ration.

Current practices by the European compound feed industry indicate that restricting imports of selected nongrain feeds, such as corn gluten feed, will not ensure that feed compounders will switch to grains, thereby reducing EC grain surpluses. Most studies indicate that feed compounders would more likely increase the use of other nongrain feeds and oilseed meals rather than higher priced EC grains. Thus, a comprehensive restriction on imports of all nongrain feeds and oilseed meals would be required to effectively limit the use of these feeds by EC feed compounders.

Import restrictions on nongrain feeds without lower grain prices would certainly raise feed costs and would be detrimental to the EC's compound feed industry, livestock producers, and consumers of livestock products. Import restrictions without compensation to exporters would contravene GATT principles and would likely bring retaliation. If restrictions are imposed, arriving at a mutually acceptable compensation for the reduced export market for nongrain feeds will be difficult. One issue is how to measure the value of the concessions on various nongrain feeds given by the EC in previous rounds of GATT negotiations. For supplier countries, an important issue is how to fix compensation on future trade losses.

The future of U.S. corn gluten feed exports will continue to depend on its relative profitability as an ingredient in EC and U.S. livestock rations. EC imports of corn gluten feed over the past 15 years demonstrate its importance as an ingredient in EC compound feeds. CAP reform measures, designed to reduce EC livestock and grain surpluses, are likely to contribute to a softer market for corn gluten feed and other nongrain feeds in the future. The recent EC proposal to

subsidize the incorporation of cereals into feed rations could cause major adjustments in EC feed use at the expense of nongrain feeds.

In light of the sluggish world market for grains and other feeds, the EC's large commodity surpluses, and the financial burdens of the CAP, the issue of "cereal substitutes" will continue to be an important factor in the EC's on-going process of reforming the CAP. Policy reform measures that limit the access of nongrain feeds to the EC market have been and will continue to be a major source of friction between the EC and its trading partners. Limits on imports of nongrain feeds in return for reductions in government support for grains and livestock are likely to be high on the EC's agenda during the current round of GATT negotiations.

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HIGH VALUE PRODUCTS: Growing U.S. and E.C. Competition in Third Markets

by

Ruth Elleson

ABSTRACT: Competition is keen between the United States and the European Community (EC) in world markets for high-value agricultural products (HVPs). In 1986-87, U.S. HVP exports reached a record 40 percent of total agricultural exports. The EC, however, is the largest supplier of HVPs on world markets, dominating the markets for dairy products, poultry and flour. Because of generous farm support programs and high internal prices, the EC must use export subsidies to be competitive on world markets. The United States has been hard pressed to expand its share of the HVP market, despite its plentiful supply of high-quality, low-priced inputs and processing capacity. While the United States must anticipate a continuation of subsidized competition from the EC, the lower dollar and new policies initiated under the 1985 farm bill, already boosting U.S. HVP exports, offer encouraging prospects for the future.

KEYWORDS: High value agricultural products, European Community, export competition, export policy.

Introduction

The United States and the European Community (EC) are active competitors in world HVP (high valued products) markets. This article compares U.S. and EC export shares to third markets for selected HVPs during 1970-86. It analyzes the competitive situation in key world markets, evaluates U.S. and EC policies affecting HVP exports, and describes the role and extent of U.S. multinational firms producing HVPs abroad.

Trade Patterns

U.S. exports of high-valued products reached a record 40 percent of total agricultural exports in 1986 and 1987, while in the EC, they accounted for 75 percent of the total.

New patterns of HVP trade began to take shape after 1985 as the dollar declined and new policies began to take effect. The value of world trade in HVPs increased rapidly during the 1970's, but declined between 1980-85 following the trend in total agricultural trade. The EC and the United States, the largest and most sophisticated

producers of HVPs in the world, also experienced a decline in HVP exports, but the decline was significantly smaller than that of world HVP exports. The United States/EC combined share of the rest of the world's HVP markets rose from around 40 percent in the early 1980's to an estimated 53 percent by 1986.

Erosion of the value of U.S. agricultural exports since their 1981 peak has hurt high-value product exports less than bulk, lower unit-valued products. Nonetheless, U.S. HVP exports fell each year between 1981 and 1985, for a total decline of 21 percent. Recent trade data, however, indicate a turning point for U.S. HVP exports. During 1985-87, U.S. HVP exports rose to \$11.2 billion, an increase of 15 percent over a 2-year period. The steep decline of the dollar during this period earned a larger niche for these products in foreign markets.

The EC experienced a similar trend in HVP exports during the 1980's. The value of HVP exports declined 19 percent during 1981-83, and then increased marginally for the next 2 years. In 1986, EC HVP exports rose 13 percent over 1985 to \$20.6 billion. EC trade data are not yet available for 1987.

The share of high-valued products in the total agricultural export mix is considerably more important for the EC than for the United States. In 1986 and 1987, HVPs made up around 40 percent of U.S. agricultural exports. But EC HVP exports in 1986 made up almost three-fourths of the total (figures 1 and 2).

U.S. and EC Export Policies

The EC uses a combination of export and processing subsidies to make HVPs competitive on world markets. The EC's high internal prices have made this a necessary policy for a number of years. EC export subsidies, or restitutions, are given to EC exporters to lower the cost of producing a product for export. These restitutions cover virtually all the major farm commodities traded by the EC—a wide range of bulk agricultural commodities as well as a number of processed foods.

EC subsidies reflect the difference between the internal price and the world price. In order to support farm income, internal prices are usually well above world prices. The actual calculation of export subsidies for HVPs can be extremely complicated. If the product contains a number of different basic commodities supported under the EC's Common Agricultural Policy (CAP), subsidies are calculated for each ingredient based on the proportions used.

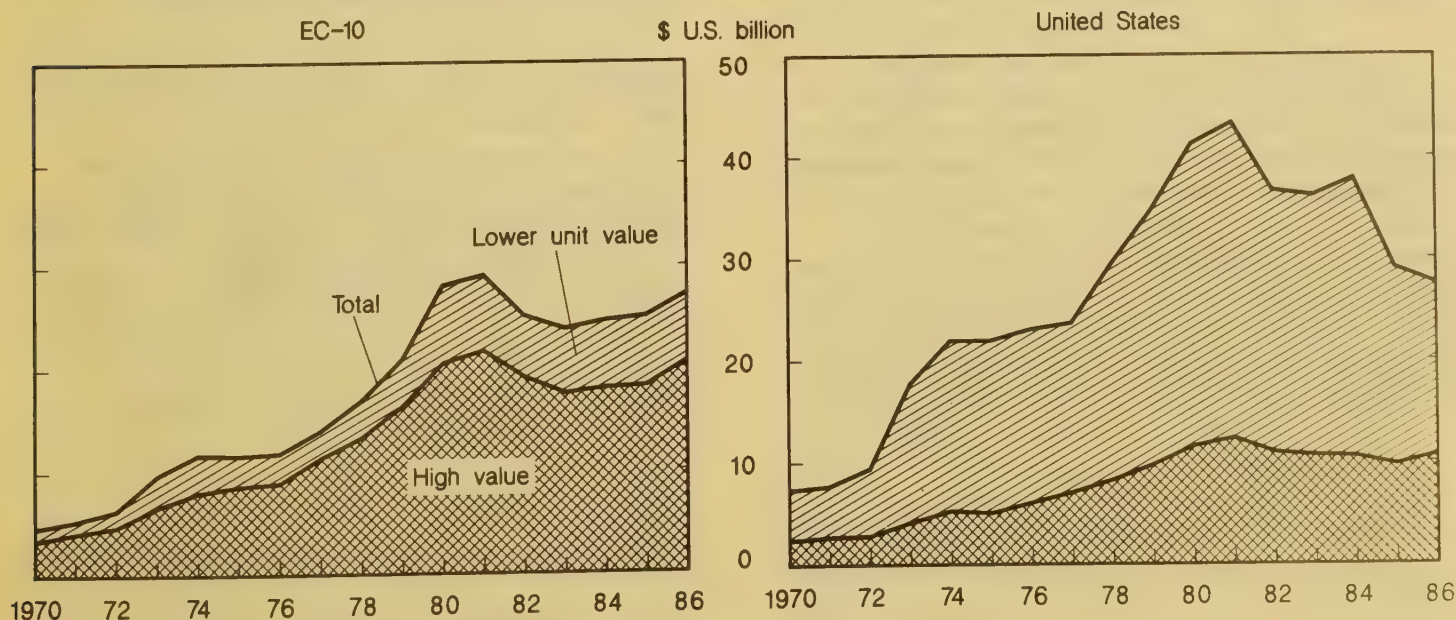
While refunds for each basic commodity are normally fixed at the beginning of each month, the CAP Monitor states "refund rates can be changed more frequently if world market conditions change." In short, subsidies appear to be set at whatever level is necessary to move surplus EC products on the world market. This places other exporters, such as the United States, at a disadvantage.

The EC has also instituted processing subsidies for selected HVPs to compensate for high domestic support prices of basic commodities. Processing subsidies encourage use of the sizeable surpluses built up as a result of high support prices. A large number of processed foods—such as candy, chocolate, pasta, biscuits, cake mixes, wheat flour, dairy-based breakfast and baby foods, casein, ice cream, sugar, frozen dinners, and soups—receive both processing subsidies and export restitutions.

EC export restitutions increased dramatically since the fall in the value of the dollar in early 1985. World prices fell relative to internal EC prices, and the EC had to increase subsidies to make its products competitive on world markets. The EC has made some policy modifications to reduce surpluses but, to date, export restitutions remain high and the EC budget continues to bear the cost.

The U.S. farm bill of 1985 authorized several export promotion programs designed to

Share of High-Value Products in Agricultural Exports



increase U.S. exports of both bulk and high-value agricultural products by making them more competitive on world markets. These programs include the Export Enhancement Program (EEP), the Targeted Export Assistance (TEA) program, the Dairy Export Incentive Program (DEIP), and several export credit guarantee programs.

The EEP enables U.S. exporters to meet prevailing world prices for targeted commodities and destinations. The program is not intended to undercut world market prices, but to meet competition from other subsidizing countries, especially the EC. EEP initiatives for HVPs include eggs and flour to Algeria, flour and poultry to Egypt, and flour to the Philippines, Yemen, Zaire, and Zanzibar. All sales under EEP are made by U.S. exporters who have submitted bids to USDA for subsidy assistance. When bids are approved, a bonus is paid to the exporter in generic certificates which can be exchanged for commodities from the Commodity Credit Corporation (CCC) stockpile. This permits the sale to take place at an agreed-upon competitive price.

The TEA program also uses surplus stocks from the CCC to reimburse U.S. exporters for all or part of authorized export promotion programs. Some 80 percent of the \$110 million of TEA allocations in fiscal 1986 were to support specific high-value and processed exports such as processed peaches and fruit cocktail, frozen potatoes, California wines and fresh and processed citrus, in-shell and shelled walnuts, Washington state apples, and fresh table grapes.

In addition to specified high-valued products, TEA's also are used to expand exports of processed foods in general. For example, one such general TEA program used \$1.4 million to expand exports of U.S. processed food products to Japan, Korea, Singapore, and Malaysia. The purpose of this TEA was to offset the adverse impact of import restrictions, such as quotas and licensing, used by these countries, as well as to offset EC subsidies. TEA funds are used for

a variety of activities, including advertising, point-of-sale materials, and restaurant promotions.

The DEIP enables U.S. exporters to meet prevailing world prices for targeted dairy products to specific destinations. The program offers U.S. exporters subsidies—in the form of dairy products in the CCC stockpile—to help them meet competition from other subsidizing nations, especially the EC. The Food Security Act of 1985 made the DEIP mandatory through fiscal 1988. Only bulk packaged dairy products are eligible for the DEIP.

The United States has, in addition, several export credit guarantee programs, one of which is CCC Export Credit Guarantee Program GSM-102. This program is designed to expand U.S. agricultural exports by stimulating U.S. bank financing of foreign purchases on credit terms of up to 3 years. Such credit guarantee programs operate in cases where credit is necessary to increase or maintain U.S. exports to a foreign market, and where private financial institutions might be unwilling (or willing only with substantial interest premiums) to provide financing without the CCC's guarantee.

Exporting High-Valued Products

High-value products range from highly processed, value-added goods, such as bakery products and cheeses, to unprocessed but relatively expensive foods such as eggs, and fresh fruit and vegetables (see sidebar).

Semiprocessed HVPs comprise the largest portion of U.S. HVP exports—48.2 percent in 1986, compared with 30.6 percent for the EC. Highly processed HVPs, on the other hand, comprise the largest portion of EC HVP exports—62.8 percent in 1986, compared with 33.2 percent for the United States. High-value unprocessed HVPs are the smallest category for both the United States and the EC, but the U.S. share is significantly larger—18.6 percent versus 6.7 percent.

High-Value Products

What exactly are high-value products? What distinguishes them from the more traditional low-value products such as wheat, corn, and soybeans that are so important to U.S. agricultural trade? The dividing line is rather arbitrary. The degree of processing or services added to the raw product, its relative per-unit value, its bulkiness and weight are important considerations. Some typical groupings used in the analysis and the common products in each are listed below.

Highly Processed Products

Prepared and preserved meats, milk, butter, cheese, cereal preparations, dried fruits, preserved or prepared vegetables, nonchocolate sugar preparations, chocolate, spices, beverages, and cigarettes.

Semiprocessed Products

Fresh, chilled, and frozen meat, wheat flour, refined sugar, coffee, cocoa, tea, animal feed, oilseed cake and meal, and vegetable oil.

Unprocessed High-Value Products

Eggs, Fruits, nuts, and fresh vegetables.

Semiprocessed HVP's

U.S. and EC competition is especially keen for such semiprocessed HVP's as fresh, chilled, and frozen meats, oilseed cake, meal and oil, and wheat flour.

The most important meats in international trade are beef, pork, and poultry. In 1986, the value of EC meat exports to third markets was almost twice as high as that of the United States—\$2.2 billion vs. \$1.2 billion (table 1).

Beef is produced and exported in large quantities from both the United States and the EC and, in recent years, both suppliers have made large export gains. The United States is a large producer and exporter of high-quality grain-fed beef, using extensive forage bases and confinement feedlots for finishing on high

Table 1--Meat ^{1/} exports by value and U.S./EC export shares

Exporter	1970-73	1979-81	1983	1984	1985	1986
World (\$mil.) ^{2/}	2,959	8,277	7,558	7,098	6,754	7,221
U.S. (\$mil.) ^{3/}	138	932	949	992	956	1,194
U.S./world (%)	4.7	11.3	12.6	14.0	14.2	16.5
EC (\$mil.) ^{4/}	199	1,425	1,279	1,421	1,362	2,243
EC/world (%)	6.7	17.2	16.9	20.0	20.2	31.1

^{1/} SITC Code 011 ^{2/} Excludes intra-EC trade, U.S. exports to the EC, and U.S. exports to the U.S. ^{3/} Excludes U.S. exports to the EC. ^{4/} Excludes intra-EC trade, and EC exports to the U.S.

energy rations. EC beef production, primarily a joint product of the dairy industry, consists largely of culled dairy cows, and calves sold as veal. As EC policies in recent years have been geared to reducing dairy surpluses, a larger supply of culled dairy cows have been available for export as beef. This has increased U.S. and EC competition.

In 1986, the EC share of beef exports to third markets rose to 27.5 percent from 20.0 in 1985, while the U.S. share increased from 13.3 to 19.1 percent. The 1986 percentages were all-time highs for both regions.

U.S. pork exports have fared poorly relative to those of the EC. The U.S. export share has declined steadily—from 22 percent in 1979-81 to 6.0 percent in 1986. In contrast, the EC share rose from 34 percent to 44.3 percent during the same period. Around 60 percent of U.S. pork exports were shipped to Japan in 1986. Japanese imports of U.S. pork, however, have dropped significantly in recent years, partly from increased competition from Taiwanese pork. U.S. pork producers have not tailored their product specifically for the Japanese market, while Taiwan's pork exports fulfill Japanese specifications, and, in addition, have low costs of production, processing, and transportation. The United States is also encountering competition from Denmark. Like Taiwan, Danish pork exports are tailored to meet Japanese requirements.

U.S. and EC competition in world poultry markets is keen. During 1980-85, EC export shares averaged 35 percent and U.S. shares averaged 25 percent. In 1986, however, the U.S. share jumped to a high of 32.9 percent. The EC share also moved up in 1986 to 39.5 percent. EC exports of whole birds to third countries, however, were down 23,000 mt in 1986. The EC Commission blamed most of this drop on subsidized U.S. exports to the Middle East under the U.S. EEP. For example,

in 1986, the U.S. successfully competed against subsidized whole broilers from the Community in the Egyptian market. In retaliation, the EC raised its export subsidy for whole broilers.

Despite the EC's lack of self-sufficiency in oilseeds and products, the EC is a competitor of the United States in these products on world markets, especially in oils, where a large part of EC production comes from crushing imported oilseeds. In 1986, the United States exported \$249 million in soybean oil to third markets, while the EC exported only slightly less—\$222 million. As U.S. competitors, including the EC, and net importing countries have expanded their crush, U.S. soybean oil export shares have declined from 37.5 percent during 1979–81 to 29.5 in 1986. In contrast, the EC's export share increased from 14.6 to 26.3 percent during the same period.

With large crushing capacity, the EC imported 12–13 million mt of soybeans annually during 1982–86, and annually exported 2–3 million mt of soybean meal to third markets. While the U.S. export share of oilseed cake and meal is still significantly larger than that of the EC—35.9 vs 12.4 percent in 1986—the EC share is slowly rising. Low U.S. soybean crushings in recent years mean all the oil and meal not produced in the United States will be produced in other countries, especially the Community.

The European Community is by far the world's largest exporter of wheat flour, with approximately three-fifths of third markets during 1980–86. The U.S. share averaged less than one-fifth, but increased somewhat in 1986. The U.S. EEP program allocates subsidies for flour exports to enable U.S. flour to compete with EC flour on world markets. Retaliation by the EC during the marketing year 1986/87 involved pricing of flour in the Egyptian market at \$129 per ton c.i.f., only about \$40 more than the price paid for wheat.

World trade in wheat flour has declined from \$1,584 million during 1979–81 to \$952 million in 1986, as many of the traditional buyers—largely developing countries—invested in milling facilities. The huge export subsidies available on flour exports from the EC and the United States,

however, may have contributed to an increase in flour imports by some of these countries, but possibly at the expense of wheat sales. The Egyptian Government is determined to expand its milling capacity, and to reduce its reliance on the more expensive processed product. This will have a considerable impact on global trade in flour, as shipments to Egypt account for nearly one-third of total world flour imports.

Highly Processed HVP's

The EC far exceeds the United States in exporting highly processed HVP's to third markets—\$12.9 billion vs. \$3.6 billion in 1986. The EC dominance is especially pronounced for dairy products. In the total milk and cream category, which includes dry milk, butter, and cheese, the EC share in 1986 was 60.8 percent compared with 10.1 percent, for the United States (Table 2).

The growth of U.S. and EC stocks of dairy products, particularly of butter and dry milk products, in the last several years has been the legacy of surplus milk production spurred by high levels of protection and price supports. The importers, largely developing countries, have benefited from sizeable price discounts and concessional sales offered by the United States and the EC.

Export subsidies are the basic tool used in the EC to promote exports of dairy products, while foreign aid has been, until recently, the major tool used by the United States. The United States, therefore, has tended to dispose of its surpluses in low-income countries, while the EC operates in the commercial market. Commercial exports of dairy products from the United States are, therefore, quite small. Without government programs to assist exports, the United States would not be a player in the world dairy product market.

The DEIP under the U.S. 1985 farm bill began a shift in the way the United States disposes of surplus dairy products. This program allows U.S. exporters to compete on the very highly subsidized world commercial dairy markets. Only bulk dairy products, however, are eligible, which includes butter, anhydrous milkfat (butteroil), nonfat dry milk, whole milk powder, cheddar cheese, and bulk American cheese for manufacturing.

Table 2--Milk and cream 1/ exports by value and U.S./EC export shares

Exporter	1970-73	1979-81	1983	1984	1985	1986
World (\$ mil.) 2/	766	2,812	2,566	2,524	2,447	2,683
U.S. (\$ mil.) 3/	91	108	227	207	231	272
U.S./world (%)	11.9	3.9	8.9	8.2	9.4	10.1
EC (\$ mil.) 4/	409	1,966	1,451	1,508	1,490	1,632
EC/world (%)	53.4	69.9	56.6	59.8	60.9	60.8

1/ SITC 022 Includes dry milk, butter and cheese. 2/ Excludes intra-EC trade, U.S. exports to the EC, and EC exports to the U.S.
3/ Excludes U.S. exports to the EC. 4/ Excludes intra-EC trade, and EC exports to the U.S.

Since 1980, both U.S. and EC trade shares of processed fruits and vegetables to third countries have increased in most categories, with U.S. shares exceeding those of the EC for most commodities. In 1986, the U.S. share of dried fruit (including prunes, raisins, and figs) exports stood at 24 percent, compared with 6.3 percent for the EC.

The United States, with an abundant supply of fresh fruits and vegetables, has the potential for processing and exporting large quantities of the processed product. Production of these products not only provides employment and revenue for U.S. processing industries, but many kinds of fruits and vegetables are relatively labor intensive at the farm level, providing farm employment. Several can be cultivated on relatively small farms, contributing to the income of small and medium-sized farm enterprises.

U.S. export shares for cigarettes have always been significantly larger than those of the Community—49.8 versus 26.6 percent in 1986. The U.S. has a plentiful supply of tobacco available for processing into cigarettes. The EC, on the other hand, lacks suitable climatic conditions for growing sufficient quality tobaccos.

For cereal preparations, EC export shares to third markets surpass those of the United States by a wide margin. In 1986, for example, the EC held a 51.2-percent share of these markets, while the U.S. held a 10.3-percent share. Bakery products make up about half of cereal preparation exports, with the remainder being largely breakfast cereals and macaroni.

Wine is another strong export for the European Community. The EC export share of third-country markets has been climbing,

reaching 51.6 percent in 1986, while the U.S. share remained under 2 percent. Brand-name recognition is an important factor in the wine market. The world market is based largely on quality and product differentiation factors, and made up of a number of submarkets ranging from inexpensive table wines to high quality champagnes.

Chocolate and products is another category of highly processed HVP's in which the EC has a very large export share relative to the United States—42.7 percent versus 7.8 percent in 1986. Several European countries have earned worldwide reputations for quality chocolates, making it difficult for new suppliers to gain a foothold in this market.

High Value Unprocessed HVP's

In addition to the semiprocessed and highly processed HVP's noted above, a number of other agricultural commodities with high unit values are traded with little or no processing. The most important of these are fresh fruit and vegetables, and eggs.

The U.S. export share for citrus fruit is considerably higher than that of the EC. For oranges, the U. S. share in 1986 was 13.6 percent compared with 5.6 percent for the EC, and for lemons and grapefruit, the shares were 35.1 and 11.4 percent respectively. For other fresh fruit, including apples, pears, berries and stone fruit, U.S and EC shares in 1986 stood at around 15 percent each. The weak dollar and the increased promotional activities under the TEA program are expected to strengthen U.S. fresh fruit exports, particularly in the Pacific Rim area.

The EC export market share of table eggs in 1986 was 36.7 percent, compared with 15.2 percent for the United States. The EC ranks as a leading table egg exporter to the Middle East, one of the world's biggest import markets. Because of declining import demand in the Middle East and North Africa, EC exporters are looking to boost exports in the growing Asian market, particularly Hong Kong. Hong Kong, however, has been targeted by the United States under the EEP program, and in 1987, the United States shipped approximately 44 million eggs to Hong Kong, a significant increase over the 6.1 million shipped in 1986.

U.S. Overseas Food Processing Operations

A number of the leading U.S. food processors have manufacturing plants abroad. Foreign investment by U.S. food manufacturing firms increased significantly during the first half of the 1980's, from \$4.9 billion in 1980 to \$11.2 billion in 1985, according to the U.S. Department of Commerce.

U.S. food processors are quite active abroad, and, in recent years, have made substantial progress in selling HVP's in foreign markets. Unfortunately, the total value of sales made by U.S. overseas operations in the various foreign markets is not known, much information being proprietary. What is known, however, is that some of the large, well-known U.S. food processors such as Campbell Soup, Heinz, Kellogg, Kraft, Quaker Oats, and Sara Lee have processing plants abroad, including sizeable operations in the European Community, and derive a large portion of their total revenue from foreign sales.

A disclosure by one of the above food processors in its 1986 annual report revealed that 40 percent of total revenue came from foreign sales. In addition, this firm listed all of its subsidiaries—factories (or farms)—located in the European Community. The list included nine factories and seven farms in the United Kingdom, six factories in West Germany, four in Italy, three in France, and one each in the Netherlands and Portugal.

All U.S. food processors located in the Community benefit from the EC's Common Agricultural Policy, including the receipt of export and processing subsidies for products shipped to non-EC markets. Such exports, therefore, have a competitive advantage over similar products shipped from the U.S. mainland, especially to markets in the Middle East, North Africa, and non-EC European countries.

An analysis of U.S. and EC competition in third markets cannot be complete without pointing out that sales by U.S. foreign subsidiaries are included in the trade data as EC exports, not U.S. exports. Since many U.S. food processors with foreign subsidiaries produce highly processed HVP's, this reduces

the potential for some U.S. exports in this category.

Since the value of the sales of U.S.-owned foreign subsidiaries, especially in recent years, is believed to be substantial, U.S. export sales data alone do not reflect the considerable progress made by U.S. food processors in selling in foreign markets. The tradeoff for the U.S. economy between exports of agricultural products and repatriation of profits from foreign subsidiaries is an issue worthy of further investigation.

Future HVP Trade

The international market for HVP's is a large and growing one. Foreign competition, however, is strong, protection of domestic markets is widespread, and many middle-income developing countries are beginning to develop their own processing plants. Yet, the expansion of U.S. high value exports should be possible, especially in view of the U.S. export promotion policies such as the EEP, TEA, DEIP, various credit policies, and the lower value of the dollar.

The decline in the value of the dollar and lower U.S. loan rates have increased the EC's expenditures for export subsidies by widening the gap between EC domestic prices and world prices. While this has caused serious budgetary problems for the Community, it is unlikely to cause a significant slowdown in the EC's subsidized exports, at least in the near future. The United States must, therefore, anticipate continued keen competition from the EC.

Nevertheless, the United States still has considerable potential to expand high-value exports. Major factors in its favor are an abundant supply of high-quality, relatively low-priced raw bulk products, and the large U.S. domestic market that includes a well developed and technologically advanced processing sector.

Two of the three main categories of HVP's—semiprocessed and high-value unprocessed HVP's—offer excellent opportunities for the United States to increase its exports of high-value products. Commodities with favorable expectations include semiprocessed and processed meats,

especially poultry and pork; semiprocessed oilseed products such as meals and oils; and fresh and processed fruits, vegetables, and nuts.

In general, the consumer-ready, highly processed category of HVP's has more limited export growth potential. Many of these products are either already being produced abroad by U.S. multinational firms, or produced by European firms with well-established brand names or perceived quality advantages, such as French wines and Swiss chocolates. While the costs of developing these markets and shipping directly from the United States has been high for many U.S. firms in the past, the lower dollar could offset, at least in part, this disadvantage.

In conclusion, U.S. exports of HVP's still depend greatly on effective marketing strategies. In most cases, U.S. agribusiness will need to use both price and non-price competition to successfully promote U.S. high-value exports. Appropriately aggressive advertising and promotion may be effective in convincing foreign buyers that the United States can provide quality products at fair and competitive prices.

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DEVELOPMENTS IN EC AGRICULTURAL PROTECTION: Implications for the Uruguay Round

by

Mary Anne Normile

ABSTRACT: Participants in the ongoing Uruguay Round of multilateral trade negotiations have given priority to reducing agricultural protection. Levels of protection as measured by the Producer Subsidy Equivalent (PSE) are compared for the major agricultural trading countries; support received by producers in the European Community is highlighted. The article identifies objectives and possible mechanisms for reducing agricultural support, and discusses the negotiating proposals of key participant countries.

KEYWORDS: Agricultural trade, European Community, multilateral trade negotiations, Producer Subsidy Equivalent (PSE), protection.

Introduction

In 1986, European Community (EC) agricultural producers of selected commodities received government support equivalent to nearly half their total revenue. Among the major agricultural traders studied, the EC was second only to Japan in the level of support provided to agricultural producers. With the Uruguay Round of Multilateral Trade Negotiations (MTN) now headed toward a midterm review in December, negotiations to reduce government support and protection of agriculture remain an item of keen interest.

Agricultural policies have until now remained largely outside of the General Agreement on Tariffs and Trade (GATT), and past rounds of GATT negotiations have been relatively unsuccessful at liberalizing agricultural trade. When world trade ministers met at Punta del Este, Uruguay, to launch the current Uruguay Round of negotiations, they agreed to make agriculture a central focus of the negotiations. The objectives of the current trade talks, set forth in the Punta del Este declaration, include:

- o improving the openness of markets to agricultural imports (often called "market access") by reducing import barriers, including quotas and other nontariff barriers;
- o improving the competitive environment by reducing direct and indirect subsidies

(including production and export subsidies) that distort production and trade; and

- o minimizing the adverse trade effects of plant and animal health and safety regulations and standards.

A central issue in the negotiations is whether the GATT's major agricultural trading partners can agree to reduce support to and protection of their agricultural sectors. Past negotiations on agriculture have been based on requests and offers for trade concessions involving changes in countries' import treatment of individual commodities. While this method has permitted major tariff reductions, it has done little to stem the use of other means of protecting agricultural producers—primarily nontariff barriers and production subsidies. Moreover, in agriculture, most border measures—import barriers and export subsidies—result from and are driven by domestic support programs. As a result, many important barriers to agricultural trade can only be reduced through major modifications of countries' domestic agricultural policies.

This article provides background for readers interested in following the current negotiations. First, it compares government support among some major MTN participants. It then examines in greater detail agricultural support within the European Community. With this background, the various proposals for liberalization of agricultural trade currently

before the GATT are summarized. In conclusion, issues facing the United States and European Community in the current trade talks are highlighted.

Agricultural Support Levels Of Major MTN Participants

A fundamental question that negotiators will have to address in the early stages of trade talks regards the approach; i.e., how to negotiate and implement a trade liberalization agreement. A number of possible approaches to agricultural negotiations have been proposed. These include:

- o negotiating concessions through a system of requests and offers;
- o determining GATT-consistent and GATT-inconsistent policy instruments;
- o strengthening existing GATT rules;
- o eliminating support afforded by measures that directly or indirectly affect agricultural trade; and
- o freezing and reducing the total level of agricultural support.

These options range from an "ad hoc" approach (requests and offers or discussions of rules) to an "across-the-board" or aggregate approach to reducing agricultural trade barriers. Because of the importance of domestic policy in agricultural trade, if an aggregate approach is to be adopted, negotiators will need some means, or "aggregate measure", to evaluate and compare policies across countries.

A summary measure of protection, the Producer Subsidy Equivalent (PSE), provides a means of comparing the levels of support provided by government policies in different countries for a wide range of commodities. The PSE is an estimate of the portion of

producer gross revenues that can be attributed to the effects of government programs¹. The PSE is calculated by summing government transfers to producers on a number of federal government programs affecting the agricultural sector, including border measures (import tariffs and levies, export taxes, and import quotas), price and income supports, marketing boards, supply management programs, transport and input subsidies, credit subsidies, and government programs for research, marketing, inspection, extension services, and environmental programs.

These may be assigned to individual commodities directly, where data permits, or by some other method, such as according to commodity shares in the value of production. Where a program does not entail a budget outlay, the effect of the program may be imputed by observing the "wedge" between the internal producer price and the world market price, and multiplying the price difference by the amount produced. The PSE thus expresses in value terms the many nontariff trade barriers, and offers a possible solution to the problem of how to compare different forms of protection across countries. When divided by the value of production, it can be expressed in percentage terms, which facilitates comparison across agricultural sectors of disparate size.

Issues involved in the use of the PSE, or other aggregate measures of support, include, *inter alia*, how the measure should be calculated, whether commodity-specific or overall measures should be evaluated, and how

¹/ The Organization for Economic Cooperation and Development (OECD) published a study that evaluated the extent of government assistance to agriculture in several OECD countries using the PSE measure (2). ERS has extended this work by updating the PSE measures for OECD countries and estimating PSE's for selected less-developed countries (3,4).

the measures should be used in negotiations. Practical problems involved in using the PSE are numerous: data sources, choice of reference years, effect of exchange rate fluctuations, and lags in availability of data necessary to calculate the PSE. Some of these issues were explicitly addressed in certain countries' negotiating proposals.

ERS estimates of aggregate PSE's for the United States, EC, Japan, Canada, and Australia are presented in Table 1. These five countries/regions account for a large share of world agricultural trade and are key participants in the MTN. Each of these countries has also submitted a proposal for agricultural negotiations, either alone or as a member of the negotiating bloc known as the Cairns Group¹. The aggregate PSE's presented are weighted averages of the commodity-specific PSE's estimated for each country.

Throughout the 1982-1986 period, Japan provided the most support to its agriculture sector as measured by the PSE, followed by the EC, Canada, and the United States. Australia's support to its producers was the lowest of the five countries. These countries' support to agriculture rose from the early to the mid-1980's; the PSE's of Canada and the United States doubled, while that of the EC rose by 40 percent.

Support levels escalated in the later years as many countries increased support to their farmers (or maintained high internal prices) to shield them from the effects of low world commodity prices resulting from the proliferation of export subsidies, or to try to recapture markets lost to competitors' subsidized exports.

Canada's "special grains program" was instituted to protect grain farmers from disastrously low prices resulting from the export subsidy policies of its competitors. The United States instituted its Export Enhancement Program (EEP) in an attempt to

Table 1--Aggregate PSE's of Key MTN Participants, 1982-86

Country	1982	1983	1984	1985	1986	1982-86 average
Australia 1/	13.3	9.5	9.5	10.8	13.3	11.1
Canada 2/	20.4	25.0	30.6	34.8	43.1	31.0
EC 3/	29.0	29.5	30.4	38.3	49.8	35.4
Japan 4/	66.6	71.2	71.9	70.1	78.6	71.7
United States 5/	17.3	25.6	21.6	23.9	35.8	24.6

1/ 9 commodities: wheat, barley, rice, sugar, cotton, manufacturing milk, fluid milk, beef/veal, sheepmeat. 2/ 13 commodities: wheat, barley, oats, rye, corn, rapeseed, flaxseed, soybeans, sugar, beef/veal, pork, poultry, dairy. Includes outlays by provincial governments. 3/ 13 commodities: wheat, durum, barley, corn, rice, rapeseed, soybeans, sugar, beef/veal, pork, poultry, sheepmeat, manufacturing milk (does not include expenditures by national governments). 4/ 12 commodities: wheat, barley, rice, soybeans, beet sugar, cane sugar, mandarin oranges, beef, pork, chicken, fluid milk, manufacturing milk. 5/ 12 commodities: wheat, barley, oats, corn, rice, sorghum, soybeans, sugar, beef/veal, pork, poultry, dairy. Includes outlays by state governments.

Source: U.S. Department of Agriculture, Economic Research Service. Estimates of Producer and Consumer Subsidy Equivalents: Government Intervention in Agriculture. Staff Report AGES880127, April 1988 (3).

counter the increasing reliance on export subsidies of the EC. Measured support also increased for some countries that had no major policy shifts, due to declining world prices for many commodities.

Exchange rates can also play a role, increasing or decreasing the PSE as the exchange rate fluctuates. When the value of the dollar is high, as it was in 1984/85, the world price of a commodity denominated in dollars becomes higher when expressed in European Currency Units (ECU's), making the ECU-based PSE lower. The strong dollar was largely responsible for the moderate levels of the EC's aggregate PSE from 1982 to 1985, and its subsequent rise in 1986 parallels the dollar's drop.

Government Intervention In EC Agriculture

The EC, as a key player in the MTN, will have an important role in determining the outcome of the negotiations on agriculture. The EC's interests reflect its position as both a major exporter and a large importer of agricultural products. The EC is given much of the blame for the supply imbalances in world commodity markets during the 1980's, and as such will be pressured by the Cairns Group and other countries to reform its commodity and trade policies.

¹/ The Cairns Group consists of Argentina, Australia, Brazil, Canada, Chile, Colombia, Fiji, Hungary, Indonesia, Malaysia, New Zealand, Philippines, Thailand, and Uruguay.

Since the last round of the MTN, the EC has evolved from a position of being a net importer to that of a net exporter of many agricultural commodities. Shifts in net trade over a 10-year period have been dramatic for certain commodities, notably grains. Production has been encouraged by high domestic support prices, and imports discouraged (or effectively prohibited) by a system of variable levies. Demand has been dampened because consumers pay most of the cost of producer support through high prices. As a result, the EC is a surplus producer of many agricultural commodities.

Despite being a high-cost producer of many commodities, the EC has been able to move products into the export market through the use of export subsidies (export restitutions). This additional supply has depressed world prices and displaced traditional exporters from certain markets, at a high cost to the EC agricultural budget. EC support to agriculture, as measured by the PSE, confirms that Community support to producers of all major commodity groups rose substantially between 1982 and 1986 (table 2).

Proposals Before the GATT

The objectives of the Uruguay Round imply potential major shifts in the agricultural policies of many important trading countries. Since actual talks began in February 1987, various proposals have been made by many of these countries, including the United States, Canada, the EC, the Cairns Group, Japan, and the "Nordic countries" (Finland, Norway, Ireland, and Sweden). The formal proposals, while addressing the central objectives of Punta del Este, differ in several major respects, including attention to short- and long-term targets, the role of subsidies, market access issues, technical (health and sanitary) regulations, product and country

Table 2--EC-10 PSE'S

Commodity	1982	1983	1984	1985	1986	1982-86 average
Wheat 1/	27.93	12.46	8.25	33.50	57.75	27.97
Other grains 2/	9.48	14.30	4.40	20.87	48.93	19.60
Oilseeds 3/	49.74	35.90	17.73	53.72	62.40	43.90
Meat 4/	27.26	32.86	33.57	36.05	34.47	32.84
Sugar	43.17	24.31	56.02	52.29	49.17	44.99
Dairy	34.19	34.01	40.35	43.80	65.52	43.57

1/ Soft wheat and durum. 2/ Rice, barley and corn. 3/ Rapeseed and soybeans. 4/ Beef and veal, pigmeat, poultrymeat, sheepmeat.

coverage, and the choice and use of an aggregate measure to monitor support reductions or achieve reductions in support across countries by means of a formula.

United States. The U.S. proposal, announced in July 1987, calls for a commitment to phase out all direct and indirect agricultural subsidies that affect trade and market access barriers. It proposes a phased reduction in aggregate agricultural protection and subsidies that would eliminate most types of agricultural subsidies and market access barriers within 10 years. Decoupled support--support that is not related to the level of production--and bona fide domestic and international food aid would be exempt from this schedule. The proposal favors broad product coverage (to include fish and forestry products) and abolition of all GATT waivers and exceptions. The proposal favors the use of an aggregate measure as a common denominator to measure reductions in support. The United States also called for the harmonization of health and sanitary regulations.

European Community. The EC's proposal, in contrast to the United States', focuses on the imbalance between supply and demand and proposes short-term measures to stabilize the market. The EC's position is that a better world supply/demand balance is a prerequisite to reducing import barriers, and that reduction of subsidies is a long-term goal. To reduce surpluses of grain, sugar, and milk, the EC proposes setting minimum export prices for dairy products and cereals, and restricting sugar exports to the average of the last 5 years. They favor harmonization of technical regulations to eliminate trade distortions. On market access, they have proposed bringing their own import barriers into better balance by reducing some and raising others. This is generally interpreted to mean that the EC would trade off reduction of import barriers on grains for increased barriers on oilseeds and nongrain feeds (i.e., renegotiation of the zero-tariff binding on these products).

The method of negotiation proposed by the EC is a two-stage process. In the first stage, countries would agree to a series of short-term measures to restore supply/demand balance. These measures would:

- o include price discipline for cereals, with

"corresponding arrangements" for cereal substitutes (measures to reduce EC imports of cereal substitutes);

- o reduce the quantity of sugar on the world market, and extend International Dairy Agreement disciplines to non-members. Other measures in the first stage would aim at equivalent reduction of support among countries to correct supply imbalances. These measures would concentrate primarily on cereals, rice, sugar, oilseeds, dairy, and beef/veal.

In the second stage, the Community proposes:

- o reducing support and readjusting external protection to reduce distortions;
- o replacing distorting support with supply-neutral aid to farmers;
- o negotiating maximum levels of support to stabilize world markets, taking into account world price and currency fluctuations;
- o strengthening GATT rules on subsidies, demand-enhancing measures, and the effects of state trading and marketing boards; and
- o harmonizing animal and plant health regulations.

The EC would accept the use of an aggregate measure such as the PSE (as calculated by the OECD) if it were "suitably adjusted" to account for measures with significant trade impact, production restraints, and world price and currency fluctuations. Levels of support would be evaluated beginning with the 1984/85 marketing year, a period when the EC's PSE's for many of its commodities are at their lowest level.

Cairns Group. The Cairns group consists of 14 "non-subsidizing exporters" who have banded together in an attempt to bring pressure on the United States and the European Community to reform their agricultural policies, which they feel are responsible for the current price weakness in world

agricultural markets. The group consists of countries with large agricultural exports, whose export prices are generally not supported (although some countries do tax exports). Most do not support domestic prices (some tax domestic production), although some of the countries have marketing boards or state trading arrangements.

Their proposal for negotiating agriculture calls for an immediate freeze on production subsidies and export subsidies and a rollback of subsidies over 10 years; improved market access by banning new restrictions and ending the use of variable levies; harmonized technical regulations; and stronger GATT rules.

Japan. Japan is not a large exporter of agricultural goods, and restricts imports of most agricultural products. The Japanese proposal reflects their concern with food security and market stability. It calls for balancing the need for more market orientation with the need to ensure food security by food-importing countries. The Japanese propose freezing export subsidies at the current level and reducing the trade-distorting effect of other (non-export) subsidies. However, domestic subsidies necessary for development of the agricultural sector and for staple crops (including infrastructure, self-sufficiency, and research and development) would be exempt from the standstill. On import barriers, they call for commodity-specific reduction or elimination of tariffs by an offer-and-request procedure, and minimizing the trade-distorting effects of technical regulations. They oppose the use of aggregate measure, arguing that PSE's are not comparable and do not take into account the diverse purposes of farm policy.

Nordic Countries. Although not large agricultural exporters, the Nordic countries (Norway, Sweden, Iceland, and Finland) have put forth a negotiating proposal, which would also provide for short-term measures to correct market imbalances and long-term measures to reduce farm support, a reduction of import barriers to improve market access, stronger GATT rules, and lowering price supports and placing restrictions on output to reduce surpluses.

Conclusions

Earlier rounds of trade negotiations resulted in successful negotiation of tariff reductions on industrial goods, but failed to achieve significant reductions of barriers to agricultural trade. The reasons for this failure are varied. First, until the Tokyo Round in the 1970's, multilateral trade negotiations focused primarily on reducing tariffs. Tariffs are relatively easy to reduce because they are transparent, can be readily compared across countries, and may be lowered by formula, as opposed to a more complicated system of exchanging offers and requests. Harmonization of tariffs—agreeing to assess an equal tariff on similar goods moving between countries—is straightforward compared to harmonization of agricultural policies. Reducing barriers on agricultural goods is more difficult because agricultural trade is more likely to be restricted primarily by nontariff barriers, which are less transparent, more difficult to compare, and thus more difficult to reduce.

Second, most developed countries support their agricultural sectors to some degree, based on political power of farm interest groups, considerations of food security, preservation of agricultural land or a "way of life", correction of income disparities between agriculture and the non-agricultural sectors, or fear of exacerbating high unemployment in non-agricultural sectors. Reducing trade barriers, when it requires reducing support to agriculture, is unpopular and often politically difficult. GATT rules, which govern many aspects of international goods trade, are weak in the area of agricultural trade, and numerous waivers and exceptions have been made to existing rules for individual countries' agricultural programs.

A third reason can be called a lack of "political will". As long as trade in agricultural products functioned reasonably well for a large number of countries, there was little incentive to undertake the difficult task of reducing agricultural trade barriers. However, since the last round of trade negotiations (the Tokyo Round, completed in 1979), high costs of supporting domestic agriculture, predatory competition, and a growing desire for greater stability in world agricultural markets have led some of the

principal agricultural trading countries to attempt to bring some rationality to world agricultural trade.

The EC's position in the MTN reflects its basic objectives to maintain the CAP and its support to farmers, while attempting to limit the growth of budget outlays and realize the benefits of trade liberalization by other countries (notably Japan). The EC, like the United States, perceives that there are gains from liberalizing the Japanese market. The EC has stated that it believes the U.S. proposal to phase out all agricultural subsidies in 10 years is unrealistic.

The Community states that the imbalance between supply and demand is the cause for the crisis in agriculture. The United States believes the imbalance is only a symptom of the disease, which is too much government intervention in the market. As a result, the EC may agree to reduce surplus production, but is unlikely to take steps to bring about large reductions in the level of support to its farmers. Initial steps toward putting a brake on surplus production have been taken. These include dairy production quotas, institution of producer coresponsibility levies on sugar, milk, and grains, and this year, limitations on producer support through the use of agricultural stabilizers and an agreement on a set-aside program on grains. The EC has made greater use of production quotas to control oversupply, and appears likely to exhaust this option before pursuing large reductions in supported prices. To date, few of these measures have significantly altered the surplus problems.

There has been speculation that because of the increasingly burdensome cost of supporting EC agriculture, the Community may be willing this time to reduce its support to producers. The Community took steps, in its 1988 budget and price proposals, to make increasing use of "stabilizers" to reduce the budgetary costs of support, particularly to grains and oilseeds (see discussion of the 1988 proposals in the Highlights section). The budget agreement also solved, at least in the short run, the financing problem by identifying new sources of funding for the Community's budget. Both these measures, if successful, will make the agricultural budget a less severe source of pressure, and thus may eliminate in

the short run an important internal incentive for the EC to restructure its system of agricultural support.

Progress in reducing agricultural trade barriers will depend on the willingness of the United States, the European Community, and Japan to agree to reforms of their domestic agricultural policies. The EC has shown some willingness to address the problem of surplus production, but through supply control and not by reducing incentives to production. More in-depth reforms are still in question.

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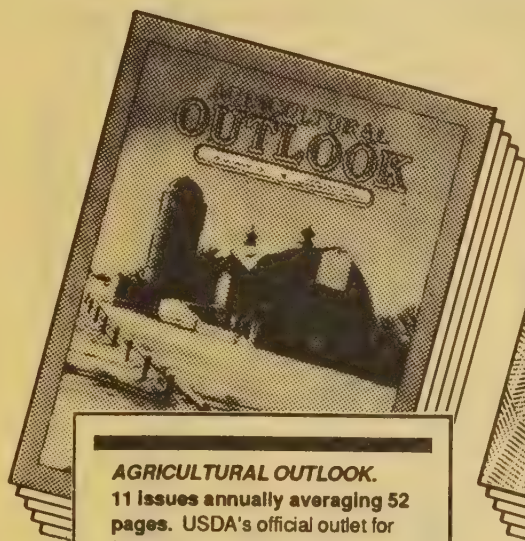
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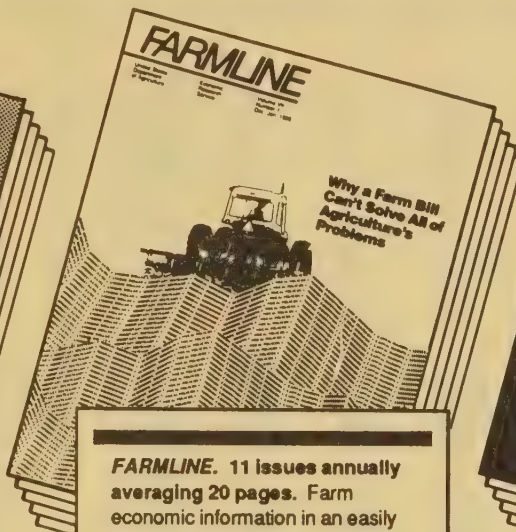
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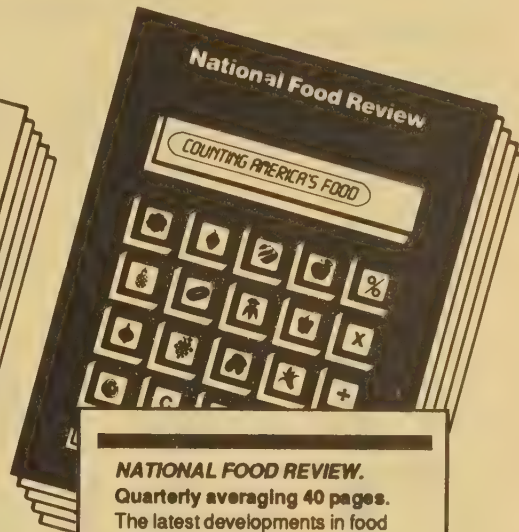
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Appendix Table 1--Area, yield and production of grains in Western Europe, Annual 1984-1988 1/

Country and year	Area							Production				
	Wheat	Rye 2/	Feed grains				Rice, paddy	Total grains	Wheat	Rye 2/	Feed grains	
			Barley	Oats	Corn	Total 3/					Barley	Oats
-----1,000 hectares-----							-----1,000 tons-----					
European Community												
Belgium-Luxembourg												
1984	194	9	152	27	8	187	--	390	1,330	42	934	122
1985	194	8	135	29	7	171	--	373	1,204	33	746	126
1986	198	10	147	21	8	176	--	384	1,342	55	879	81
1987	199	14	140	22	7	169	--	382	1,095	59	755	84
1988	202	17	134	21	7	162	--	381	1,271	80	748	88
Denmark												
1984	333	122	1,180	31	--	1,214	--	1,669	2,446	608	6,072	150
1985	340	127	1,104	37	--	1,144	--	1,611	1,972	565	5,251	152
1986	354	120	1,078	27	--	1,108	--	1,582	2,177	546	5,134	111
1987	400	135	957	23	--	983	--	1,518	2,311	512	4,355	93
1988	320	75	1,125	30	--	1,158	--	1,553	2,000	340	5,300	130
France												
1984	5,100	96	2,117	433	1,730	4,498	9	9,703	33,241	321	11,699	1,892
1985	4,832	84	2,248	425	1,857	4,751	11	9,678	29,262	283	11,470	1,803
1986	4,905	74	2,075	308	1,869	4,502	12	9,493	26,665	200	9,950	1,007
1987	4,959	75	1,969	281	1,738	4,245	13	9,292	27,381	275	10,385	1,045
1988	4,892	78	1,980	267	1,820	4,306	15	9,291	28,570	235	10,200	1,015
Germany, Fed. Rep.												
1984	1,634	450	2,006	669	182	2,857	--	4,941	10,223	1,983	10,284	2,973
1985	1,612	437	1,949	697	181	2,827	--	4,876	9,866	1,877	9,690	3,278
1986	1,648	425	1,947	605	187	2,739	--	4,812	10,406	1,818	9,377	2,687
1987	1,679	418	1,838	564	191	2,593	--	4,690	9,974	1,636	8,514	2,420
1988	1,785	403	1,821	573	195	2,589	--	4,777	11,100	1,690	8,900	2,550
Greece												
1984	924	7	334	44	205	583	16	1,530	2,646	15	831	72
1985	848	9	326	42	207	575	16	1,448	1,775	20	619	62
1986	872	11	284	42	201	527	18	1,428	2,200	23	739	79
1987	868	13	267	40	245	552	18	1,451	2,113	25	626	62
1988	870	12	240	40	240	520	18	1,420	2,100	25	600	65
Ireland												
1984	78	--	294	24	--	318	--	396	585	--	1,666	131
1985	78	--	298	23	--	321	--	399	467	--	1,410	100
1986	76	--	283	21	--	304	--	380	385	--	1,320	94
1987	57	--	276	20	--	296	--	353	350	--	1,400	106
1988	50	--	280	19	--	299	--	349	290	--	1,355	100
Italy												
1984	3,274	9	434	191	961	1,608	180	5,071	10,057	24	1,618	433
1985	3,034	9	468	182	923	1,588	187	4,818	8,461	23	1,630	363
1986	3,137	8	434	182	843	1,472	193	4,810	9,104	22	1,447	394
1987	3,087	8	445	176	758	1,394	191	4,680	9,359	20	1,708	360
1988	2,870	7	470	170	820	1,485	192	4,554	8,450	19	1,700	350
Netherlands												
1984	143	6	34	12	1	47	--	196	1,131	25	192	58
1985	128	5	39	11	--	50	--	183	851	19	197	58
1986	118	4	42	7	--	49	--	171	940	19	262	40
1987	111	6	50	9	--	59	--	176	769	25	262	47
1988	110	3	45	5	--	50	--	163	800	13	240	27
United Kingdom												
1984	1,939	6	1,978	106	--	2,092	--	4,037	14,957	28	11,055	516
1985	1,902	8	1,965	133	--	2,105	--	4,015	12,045	35	9,740	615
1986	1,997	6	1,917	95	--	2,019	--	4,022	13,910	30	10,015	505
1987	1,992	6	1,830	99	--	1,935	--	3,933	11,600	32	9,130	440
1988	1,930	6	1,900	105	--	2,011	--	3,947	13,000	30	10,000	555
Total EC-10												
1984	13,619	705	8,529	1,537	3,087	13,404	205	27,933	76,616	3,046	44,351	6,347
1985	12,968	687	8,532	1,579	3,175	13,532	214	27,401	65,903	2,855	40,753	6,557
1986	13,305	658	8,207	1,308	3,108	12,896	223	27,082	67,129	2,713	39,123	4,998
1987	13,352	675	7,772	1,234	2,939	12,226	222	26,475	64,952	2,584	37,135	4,657
1988	13,029	601	7,995	1,230	3,082	12,580	225	26,435	67,581	2,432	39,043	4,880

See footnotes at end of table.

Appendix Table 1--Area, yield and production of grains in Western Europe, Annual 1984-1988 1/--Continued

Country and year	Production--Cont.				Yield							
	Corn	Total 3/	Rice, paddy	Total grains	Wheat	Rye 2/	Feed grains				Rice, paddy	Total grains
							Barley	Oats	Corn	Total 3/		
-----1,000 tons-----				-----Metric tons per hectare-----								
European Community												
Belgium-Luxembourg												
1984	53	1,109	--	2,481	6.86	4.67	6.14	4.52	6.63	5.93	--	6.36
1985	51	923	--	2,160	6.21	4.13	5.53	4.34	7.29	5.40	--	5.79
1986	53	1,013	--	2,410	6.78	5.50	5.98	3.86	6.63	5.76	--	6.28
1987	50	889	--	2,043	5.50	4.21	5.39	3.82	7.14	5.26	--	5.35
1988	50	886	--	2,237	6.29	4.71	5.58	4.19	7.14	5.47	--	5.87
Denmark												
1984	--	6,229	--	9,283	7.35	4.98	5.15	4.84	--	5.13	--	5.56
1985	--	5,411	--	7,948	5.80	4.45	4.76	4.11	--	4.73	--	4.93
1986	--	5,253	--	7,976	6.15	4.55	4.76	4.11	--	4.74	--	5.04
1987	--	4,456	--	7,279	5.78	3.79	4.55	4.04	--	4.53	--	4.80
1988	--	5,437	--	7,777	6.25	4.53	4.71	4.33	--	4.70	--	5.01
France												
1984	10,384	24,871	35	58,468	6.52	3.34	5.53	4.37	6.00	5.53	3.89	6.03
1985	12,367	26,533	62	56,140	6.06	3.37	5.10	4.24	6.66	5.58	5.64	5.80
1986	11,470	23,319	60	50,244	5.44	2.70	4.80	3.27	6.14	5.18	5.00	5.29
1987	12,334	24,911	55	52,622	5.52	3.67	5.27	3.72	7.10	5.87	4.23	5.66
1988	12,000	24,195	68	53,068	5.84	3.01	5.15	3.80	6.59	5.62	4.53	5.71
Germany, Fed. Rep.												
1984	1,026	14,283	--	26,489	6.26	4.41	5.13	4.44	5.64	5.00	--	5.36
1985	1,204	14,172	--	25,915	6.12	4.30	4.97	4.70	6.65	5.01	--	5.31
1986	1,302	13,366	--	25,590	6.31	4.28	4.82	4.44	6.96	4.88	--	5.32
1987	1,202	12,136	--	23,746	5.94	3.91	4.63	4.29	6.29	4.68	--	5.06
1988	1,260	12,710	--	25,500	6.22	4.19	4.89	4.45	6.46	4.91	--	5.34
Greece												
1984	1,990	2,893	90	5,644	2.86	2.14	2.49	1.64	9.71	4.96	5.63	3.69
1985	1,822	2,503	106	4,404	2.09	2.22	1.90	1.48	8.80	4.35	6.63	3.04
1986	1,921	2,739	119	5,081	2.52	2.09	2.60	1.88	9.56	5.20	6.61	3.56
1987	2,300	2,988	114	5,240	2.43	1.92	2.34	1.55	9.39	5.41	6.33	3.61
1988	2,200	2,865	119	5,109	2.41	2.08	2.50	1.63	9.17	5.51	6.61	3.60
Ireland												
1984	--	1,797	--	2,382	7.50	--	5.67	5.46	--	5.65	--	6.02
1985	--	1,510	--	1,977	5.99	--	4.73	4.35	--	4.70	--	4.95
1986	--	1,414	--	1,799	5.07	--	4.66	4.48	--	4.65	--	4.73
1987	--	1,506	--	1,856	6.14	--	5.07	5.30	--	5.09	--	5.26
1988	--	1,455	--	1,745	5.80	--	4.84	5.26	--	4.87	--	5.00
Italy												
1984	6,672	8,828	1,012	19,921	3.07	2.67	3.73	2.27	6.94	5.49	5.62	3.93
1985	6,357	8,406	1,193	18,083	2.79	2.56	3.48	1.99	6.89	5.29	6.38	3.75
1986	6,355	8,277	1,103	18,506	2.90	2.75	3.33	2.16	7.54	5.62	5.72	3.85
1987	5,600	7,748	1,094	18,221	3.03	2.50	3.84	2.05	7.39	5.56	5.73	3.89
1988	6,000	8,200	1,100	17,769	2.94	2.71	3.62	2.06	7.32	5.52	5.73	3.90
Netherlands												
1984	1	251	--	1,407	7.91	4.17	5.65	4.83	1.00	5.34	--	7.18
1985	--	255	--	1,125	6.65	3.80	5.05	5.27	--	5.10	--	6.15
1986	--	302	--	1,261	7.97	4.75	6.24	5.71	--	6.16	--	7.37
1987	--	309	--	1,103	6.93	4.17	5.24	5.22	--	5.24	--	6.27
1988	--	267	--	1,080	7.27	4.33	5.33	5.40	--	5.34	--	6.63
United Kingdom												
1984	--	11,606	--	26,591	7.71	4.67	5.59	4.87	--	5.55	--	6.59
1985	--	10,385	--	22,465	6.33	4.38	4.96	4.62	--	4.93	--	5.60
1986	--	10,549	--	24,489	6.97	5.00	5.22	5.32	--	5.22	--	6.09
1987	--	9,600	--	21,232	5.82	5.33	4.99	4.44	--	4.96	--	5.40
1988	--	10,585	--	23,615	6.74	5.00	5.26	5.29	--	5.26	--	5.98
Total EC-10												
1984	20,126	71,867	1,137	152,666	5.63	4.32	5.20	4.13	6.52	5.36	5.55	5.47
1985	21,801	70,098	1,361	140,217	5.08	4.16	4.78	4.15	6.87	5.18	6.36	5.12
1986	21,101	66,232	1,282	137,356	5.05	4.12	4.77	3.82	6.79	5.14	5.75	5.07
1987	21,486	64,543	1,263	133,342	4.86	3.83	4.78	3.77	7.31	5.28	5.69	5.04
1988	21,510	66,600	1,287	137,900	5.19	4.05	4.88	3.97	6.98	5.29	5.72	5.22

Appendix Table 1--Area, yield and production of grains in Western Europe, Annual 1984-1988 1/

Country and year	Area							Production				
	Wheat	Rye 2/	Feed grains				Rice, paddy	Total grains	Wheat	Rye 2/	Feed grains	
			Barley	Oats	Corn	Total 3/					Barley	Oats
-----1,000 hectares-----							-----1,000 tons-----					
Portugal												
1984	280	131	97	185	319	601	30	1,042	470	115	135	195
1985	282	122	86	190	241	517	30	951	395	97	65	119
1986	292	118	84	194	252	530	31	971	500	93	84	137
1987	325	125	88	197	266	551	32	1,033	555	105	91	159
1988	312	120	90	195	273	558	33	1,023	500	105	95	155
Spain												
1984	2,267	233	3,944	473	436	4,880	73	7,453	5,800	325	10,000	780
1985	2,024	222	4,155	465	525	5,170	74	7,490	5,326	295	9,980	719
1986	2,096	221	4,334	384	525	5,267	79	7,663	4,292	220	7,331	422
1987	2,223	227	4,352	349	526	5,246	77	7,773	5,768	320	9,602	502
1988	2,283	210	4,251	361	530	5,159	80	7,732	6,000	310	10,000	525
Total EC-12												
1984	16,166	1,069	12,570	2,195	3,842	18,885	308	36,428	82,886	3,486	54,486	7,322
1985	15,274	1,031	12,773	2,234	3,941	19,219	318	35,842	71,624	3,247	50,798	7,395
1986	15,693	997	12,625	1,886	3,885	18,693	333	35,716	71,921	3,026	46,538	5,557
1987	15,900	1,027	12,212	1,780	3,731	18,023	331	35,281	71,275	3,009	46,828	5,318
1988	15,624	931	12,336	1,786	3,885	18,297	338	35,190	74,081	2,847	49,138	5,560
Other Western Europe												
Austria												
1984	315	93	328	77	207	642	--	1,050	1,501	380	1,517	292
1985	320	88	334	75	208	650	--	1,058	1,563	339	1,521	248
1986	324	83	332	73	217	650	--	1,057	1,415	284	1,293	270
1987	320	85	292	69	207	594	--	999	1,451	309	1,179	246
1988	315	80	280	70	200	577	--	972	1,420	290	1,120	250
Finland												
1984	154	45	566	441	--	1,022	--	1,221	478	92	1,715	1,321
1985	157	31	646	411	--	1,071	--	1,259	495	72	1,854	1,218
1986	166	27	589	403	--	1,004	--	1,197	529	71	1,714	1,175
1987	139	38	583	368	--	958	--	1,135	281	74	1,089	723
1988	105	27	680	400	--	969	--	1,101	321	64	2,040	1,200
Norway												
1984	33	1	171	124	--	296	--	330	170	3	658	581
1985	39	1	171	129	--	301	--	341	170	3	604	495
1986	42	1	172	131	--	304	--	347	180	3	550	450
1987	44	1	172	130	--	303	--	348	220	3	540	550
1988	44	1	172	135	--	308	--	353	200	3	580	525
Sweden												
1984	315	62	644	428	--	1,135	--	1,512	1,776	247	2,733	1,904
1985	277	46	667	445	--	1,164	--	1,487	1,338	158	2,309	1,668
1986	311	39	638	456	--	1,138	--	1,488	1,730	156	2,327	1,486
1987	325	40	545	397	--	946	--	1,311	1,558	137	1,907	1,440
1988	253	34	537	390	--	940	--	1,227	1,359	136	2,040	1,420
Switzerland												
1984	92	5	52	10	18	87	--	184	596	29	312	53
1985	93	4	51	10	19	87	--	184	521	20	270	52
1986	93	4	54	7	22	90	--	187	478	19	230	30
1987	93	4	52	7	22	88	--	185	460	18	250	38
1988	93	4	52	7	22	88	--	185	480	19	255	35
Total Other Western Europe												
1984	909	206	1,761	1,080	225	3,182	--	4,297	4,521	751	6,935	4,151
1985	886	170	1,869	1,070	227	3,273	--	4,329	4,087	592	6,558	3,681
1986	936	154	1,785	1,070	239	3,186	--	4,276	4,332	533	6,114	3,411
1987	921	168	1,644	971	229	2,889	--	3,978	3,970	541	4,965	2,997
1988	810	146	1,721	1,002	222	2,882	--	3,838	3,780	512	6,035	3,430
Total Western Europe												
1984	17,075	1,275	14,331	3,275	4,067	22,067	308	40,725	87,407	4,237	61,421	11,473
1985	16,160	1,201	14,642	3,304	4,168	22,492	318	40,171	75,711	3,839	57,356	11,076
1986	16,629	1,151	14,410	2,956	4,124	21,879	333	39,992	76,253	3,559	52,652	8,968
1987	16,821	1,195	13,856	2,751	3,960	20,912	331	39,259	75,245	3,550	51,793	8,315
1988	16,434	1,077	14,057	2,788	4,107	21,179	338	39,028	77,861	3,359	55,173	8,990

--- = None, or negligible.

1/ Data for 1987 are preliminary, and 1988 are May, 1988 forecast. 2/ Rye is considered a bread grain but for the region, about half the crop is used for feed. 3/ Includes other grains: millet, sorghum, buckwheat, and mixed grains.

Source: USDA, Foreign Agricultural Service, May 13, 1988.

Appendix Table 1--Area, yield and production of grains in Western Europe, Annual 1984-1988 1/--Continued

Country and year	Production--Cont.				Yield							
	Corn	Total 3/	Rice, paddy	Total grains	Wheat	Rye 2/	Feed grains				Rice, paddy	Total grains
							Barley	Oats	Corn	Total 3/		
-----1,000 tons-----				-----Metric tons per hectare-----								
Portugal												
1984	483	813	135	1,533	1.68	0.88	1.39	1.05	1.51	1.35	4.50	1.47
1985	531	715	148	1,355	1.40	0.80	0.76	0.63	2.20	1.38	4.93	1.42
1986	567	788	151	1,532	1.71	0.79	1.00	0.71	2.25	1.49	4.87	1.58
1987	620	870	145	1,675	1.71	0.84	1.03	0.81	2.33	1.58	4.53	1.62
1988	640	890	162	1,657	1.60	0.88	1.06	0.79	2.34	1.59	4.91	1.62
Spain												
1984	2,505	13,395	437	19,957	2.56	1.39	2.54	1.65	5.75	2.74	5.99	2.68
1985	3,414	14,214	459	20,294	2.63	1.33	2.40	1.55	6.50	2.75	6.20	2.71
1986	3,405	11,262	494	16,268	2.05	1.00	1.69	1.10	6.49	2.14	6.25	2.12
1987	3,564	13,746	490	20,324	2.59	1.41	2.21	1.44	6.78	2.62	6.36	2.61
1988	3,500	14,092	500	20,902	2.63	1.48	2.35	1.45	6.60	2.73	6.25	2.70
Total EC-12												
1984	23,114	86,075	1,709	174,156	5.13	3.26	4.33	3.34	6.02	4.56	5.55	4.78
1985	25,746	85,027	1,968	161,866	4.69	3.15	3.98	3.31	6.53	4.42	6.19	4.52
1986	25,073	78,282	1,927	155,156	4.58	3.04	3.69	2.95	6.45	4.19	5.79	4.34
1987	25,670	79,159	1,898	155,341	4.48	2.93	3.83	2.99	6.88	4.39	5.73	4.40
1988	25,650	81,582	1,949	160,459	4.74	3.06	3.98	3.11	6.60	4.46	5.77	4.56
Other Western Europe												
Austria												
1984	1,542	3,471	--	5,352	4.77	4.09	4.63	3.79	7.45	5.41	--	5.10
1985	1,727	3,613	--	5,515	4.88	3.85	4.55	3.31	8.30	5.56	--	5.21
1986	1,740	3,411	--	5,110	4.37	3.42	3.89	3.70	8.02	5.25	--	4.83
1987	1,685	3,205	--	4,965	4.53	3.64	4.04	3.57	8.14	5.40	--	4.97
1988	1,640	3,110	--	4,820	4.51	3.63	4.00	3.57	8.20	5.39	--	4.96
Finland												
1984	--	3,076	--	3,646	3.10	2.04	3.03	3.00	--	3.01	--	2.99
1985	--	3,099	--	3,666	3.15	2.32	2.87	2.96	--	2.89	--	2.91
1986	--	2,921	--	3,521	3.19	2.63	2.91	2.92	--	2.91	--	2.94
1987	--	1,827	--	2,182	2.02	1.95	1.87	1.96	--	1.91	--	1.92
1988	--	3,272	--	3,657	3.06	2.37	3.00	3.00	--	3.38	--	3.32
Norway												
1984	--	1,241	--	1,414	5.15	3.00	3.85	4.69	--	4.19	--	4.28
1985	--	1,101	--	1,274	4.36	3.00	3.53	3.84	--	3.66	--	3.74
1986	--	1,002	--	1,185	4.29	3.00	3.20	3.44	--	3.30	--	3.41
1987	--	1,092	--	1,315	5.00	3.00	3.14	4.23	--	3.60	--	3.78
1988	--	1,092	--	1,295	4.55	3.00	3.37	3.89	--	3.55	--	3.67
Sweden												
1984	--	4,875	--	6,898	5.64	3.98	4.24	4.45	--	4.30	--	4.56
1985	--	4,125	--	5,621	4.83	3.43	3.46	3.75	--	3.54	--	3.78
1986	--	3,451	--	5,337	5.56	4.00	3.65	3.26	--	3.03	--	3.59
1987	--	3,591	--	5,286	4.79	3.43	3.50	3.63	--	3.80	--	4.03
1988	--	3,334	--	4,829	5.37	4.00	3.80	3.64	--	3.55	--	3.94
Switzerland												
1984	126	519	--	1,144	6.48	5.80	6.00	5.30	7.00	5.97	--	6.22
1985	157	507	--	1,048	5.60	5.00	5.29	5.20	8.26	5.83	--	5.70
1986	173	461	--	958	5.14	4.75	4.26	4.29	7.86	5.12	--	5.12
1987	168	484	--	962	4.95	4.50	4.81	5.43	7.64	5.50	--	5.20
1988	170	488	--	987	5.16	4.75	4.90	5.00	7.73	5.55	--	5.34
Total Other Western Europe												
1984	1,668	13,182	--	18,454	4.97	3.65	3.94	3.84	7.41	4.14	--	4.29
1985	1,884	12,445	--	17,124	4.61	3.48	3.51	3.44	8.30	3.80	--	3.96
1986	1,913	11,246	--	16,111	4.63	3.46	3.43	3.19	8.00	3.53	--	3.77
1987	1,853	10,199	--	14,710	4.31	3.22	3.02	3.09	8.09	3.53	--	3.70
1988	1,810	11,296	--	15,588	4.67	3.51	3.51	3.42	8.15	3.92	--	4.06
Total Western Europe												
1984	24,782	99,257	1,709	192,610	5.12	3.32	4.29	3.50	6.09	4.50	5.55	4.73
1985	27,630	97,472	1,968	178,990	4.69	3.20	3.92	3.35	6.63	4.33	6.19	4.46
1986	26,986	89,528	1,927	171,267	4.59	3.09	3.65	3.03	6.54	4.09	5.79	4.28
1987	27,523	89,358	1,898	170,051	4.47	2.97	3.74	3.02	6.95	4.27	5.73	4.33
1988	27,460	92,878	1,949	176,047	4.74	3.12	3.92	3.22	6.69	4.39	5.77	4.51

Appendix Table 2--Area and production of selected nongrain crops in Western Europe, average 1970-74, annual 1984-87 1/

Country and year	Area				Production							
	Potatoes	Sugar beets	Total Dilseeds	Tobacco	Potatoes	Sugar beets	Total Dilseeds	Tobacco	Olive oil	Apples 2/	Pears 2/	Citrus
	-----1,000 hectares-----				-----1,000 tons-----							
European Community												
Belgium-Luxembourg												
1970-74	48	99	11	1	1,458	4,533	9	2	--	245	61	--
1984	45	117	11	1	1,648	5,763	16	2	--	231	72	--
1985	50	125	15	1	1,835	5,952	18	2	--	221	79	--
1986	39	113	13	1	1,401	5,886	14	2	--	262	81	--
1987	46	112	12	1	1,710	6,010	14	2	--	246	79	--
Denmark												
1970-74	33	56	25	--	828	2,254	48	--	--	75	8	--
1984	31	74	162	--	1,121	3,614	309	--	--	54	4	--
1985	31	73	191	--	1,100	3,515	474	--	--	45	4	--
1986	31	70	217	--	1,129	3,195	544	--	--	48	4	--
1987	29	68	227	--	942	3,050	618	--	--	45	4	--
France												
1970-74	346	451	369	20	8,146	19,313	667	48	2	1,778	489	12
1984	210	525	930	14	6,964	28,752	1,781	37	--	2,005	449	25
1985	211	490	975	14	7,787	29,977	2,322	36	--	1,793	335	25
1986	201	453	1,134	15	6,300	24,670	2,898	36	--	1,862	499	25
1987	NA	421	1,319	15	NA	24199	3,083	36	--	1,866	430	25
Germany, Fed. Rep.												
1970-74	520	334	94	4	14,938	15,214	208	10	--	1,659	411	--
1984	219	406	232	3	7,272	20,060	599	8	--	1,799	449	--
1985	220	403	254	3	7,878	20,813	662	8	--	1,410	335	--
1986	210	390	266	3	7,390	20,260	803	8	--	2,180	499	--
1987	200	384	310	3	6,509	19,049	973	7	--	1,150	291	--
Greece												
1970-74	52	25	146	89	767	1,341	234	87	212	210	107	620
1984	60	28	177	93	1,053	1,700	210	143	293	305	117	928
1985	56	43	234	99	1,009	2,580	310	148	290	257	111	740
1986	44	44	252	90	939	2,560	363	129	248	311	110	1,135
1987	NA	28	285	90	NA	1,652	513	134	210	297	95	607
Ireland												
1970-74	48	29	0	--	1,282	1,110	--	--	--	8	--	--
1984	36	35	4	--	870	1,694	9	--	--	14	--	--
1985	33	33	4	--	686	1,309	9	--	--	11	--	--
1986	31	37	4	--	700	1,400	9	--	--	10	--	--
1987	30	37	4	--	NA	1623	9	--	--	--	--	--
Italy												
1970-74	223	248	17	45	3,145	9,285	34	85	471	1,912	1,645	2,583
1984	139	225	103	76	2,450	11,490	197	161	343	2,218	1,064	2,495
1985	137	232	126	81	3,397	9,567	264	166	641	2,014	806	3,386
1986	134	277	199	79	2,551	14,734	464	146	310	2,020	913	3,562
1987	136	283	363	78	2667	14970	1,097	149	500	2,196	829	2,600
Netherlands												
1970-74	155	109	17	--	5,769	5,045	37	--	--	441	112	--
1984	160	129	17	--	6,673	6,955	41	--	--	431	128	--
1985	169	131	17	--	7,150	6,335	42	--	--	300	107	--
1986	166	138	14	--	6,857	7,707	35	--	--	445	103	--
1987	NA	128	9	--	NA	6,920	23	--	--	395	143	--
United Kingdom												
1970-74	241	191	7	--	7,000	6,502	15	--	--	423	58	--
1984	200	196	222	--	7,400	9,015	565	--	--	316	48	--
1985	191	202	269	--	6,892	7,715	925	--	--	273	51	--
1986	178	207	305	--	6,447	8,000	902	--	--	311	47	--
1987	178	201	310	--	6,595	8,000	948	--	--	318	48	--
Total EC-10												
1970-74	1,666	1,542	686	159	43,333	64,597	1,252	232	685	6,751	2,891	3,215
1984	1,100	1,735	1,858	187	35,451	89,043	3,727	351	636	7,373	2,331	3,448
1985	1,098	1,732	2,085	198	37,734	87,763	5,026	360	931	6,324	1,828	4,151
1986	1,034	1,729	2,404	188	33,714	88,412	6,032	321	558	7,449	2,256	4,722
1987	NA	1,662	2,839	187	NA	85,473	7,278	328	710	6,513	1,919	3,232

Appendix Table 2--Area and production of selected nongrain crops in Western Europe, average 1970-74, annual 1984-87 1/--Continued

Country and year	Area				Production							
	Potatoes	Sugar beets	Total Oilseeds	Tobacco	Potatoes	Sugar beets	Total Oilseeds	Tobacco	Olive oil	Apples 2/	Pears 2/	Citrus
	-----1,000 hectares-----				-----1,000 tons-----							
Portugal												
1970-74	111	--	3	--	1,123	--	1	1	52	132	55	163
1984	129	1	25	7	1,102	66	28	7	47	86	71	132
1985	131	2	38	7	1,239	70	28	7	33	85	57	140
1986	119	1	40	2	1,013	30	29	3	33	76	50	136
1987	120	1	38	2	980	NA	32	4	51	84	45	136
Spain												
1970-74	401	195	263	17	5,250	5,270	214	28	399	766	414	2,946
1984	348	218	1,009	22	5,981	8,755	846	46	667	1,028	498	2,660
1985	331	178	1,081	24	5,927	7,349	1,228	42	397	1,055	600	3,310
1986	289	195	1,292	22	4,857	7,508	1,117	39	489	850	361	3,917
1987	331	182	1,159	22	5,363	7,668	1,068	38	621	945	530	3,758
Total EC-12												
1970-74	2,178	1,737	952	176	49,706	69,867	1,467	261	1,136	7,649	3,360	6,324
1984	1,577	1,954	2,892	216	42,534	97,864	4,601	404	1,350	8,487	2,900	6,240
1985	1,560	1,912	3,204	229	44,900	95,182	6,282	409	1,361	7,464	2,485	7,601
1986	1,442	1,925	3,736	212	39,584	95,950	7,178	363	1,080	8,375	2,667	8,775
1987	NA	1,845	4,036	211	NA	93,141	8,378	370	1,382	7,542	2,494	7,126
Other Western Europe												
Austria												
1970-74	96	47	4	--	2,375	2,059	8	--	--	170	47	--
1984	41	51	5	--	1,138	2,605	12	--	--	353	54	--
1985	38	43	6	--	1,042	2,407	17	--	--	241	44	--
1986	35	28	7	--	982	1,425	19	--	--	283	51	--
1987	NA	NA	21	--	NA	NA	54	--	--	217	39	--
Finland												
1970-74	51	19	7	--	770	563	10	--	--	--	--	--
1984	41	31	61	--	745	823	101	--	--	12	1	--
1985	39	31	58	--	708	739	83	--	--	15	1	--
1986	39	29	58	--	773	792	94	--	--	17	1	--
1987	NA	NA	75	--	NA	NA	130	--	--	10	--	--
Norway												
1970-74	31	--	3	--	744	--	5	--	--	49	10	--
1984	19	--	9	--	489	--	19	--	--	47	12	--
1985	19	--	11	--	440	--	19	--	--	64	9	--
1986	17	--	7	--	440	--	11	--	--	32	7	--
1987	23	--	10	--	NA	--	15	--	--	45	8	--
Sweden												
1970-74	49	42	124	--	1,214	1,925	233	--	--	30	5	--
1984	40	52	161	--	1,307	2,508	318	--	--	90	13	--
1985	39	52	164	--	1,117	2,170	327	--	--	93	9	--
1986	38	52	168	--	1,397	2,188	320	--	--	96	10	--
1987	39	51	170	--	1,162	1,742	321	--	--	33	4	--
Switzerland												
1970-74	27	10	9	1	1,075	463	20	2	--	109	22	--
1984	23	15	14	1	923	860	32	2	--	384	140	--
1985	21	15	14	1	817	790	43	1	--	278	129	--
1986	20	14	16	1	721	762	39	2	--	390	170	--
1987	NA	15	17	1	NA	825	42	2	--	134	21	--
Total Other Western Europe												
1970-74	254	118	147	1	6,178	5,010	276	2	--	358	84	--
1984	164	149	250	1	4,602	6,796	482	2	--	886	220	--
1985	156	141	253	1	4,124	6,106	489	1	--	691	192	--
1986	149	123	256	1	4,313	5,167	483	2	--	818	239	--
1987	NA	NA	293	1	NA	NA	562	2	--	439	72	--
Total Western Europe												
1970-74	2,432	1,855	1,099	177	55,884	74,877	1,743	263	1,136	8,007	3,444	6,324
1984	1,741	2,103	3,142	217	47,136	104,660	5,083	406	1,350	9,373	3,120	6,240
1985	1,716	2,053	3,457	230	49,024	101,288	6,771	410	1,361	8,155	2,677	7,601
1986	1,591	2,048	3,992	213	43,897	101,117	7,661	365	1,080	9,193	2,906	8,775
1987	NA	1,845	4,329	NA	NA	NA	8,940	372	1,382	7,981	2,566	7,126

-- = None or negligible. NA = Not Available.

1/ Data for 1987 are preliminary. 2/ Dessert and cooking only.

Sources: Agricultural Attache, Agricultural Situation Report, CY 1987. USDA, Foreign Agricultural Service.

FAO Production Yearbook - 1986.

Appendix Table 3--Production of principal livestock products in Western Europe, average 1970-74, annual 1984-87 1/

Country and year	Principal red meat				Poultry meat 3/	Cow's milk 4/	Eggs
	Beef and Veal	Sheep and goat meat	Pork 2/	Total			
-----1,000 tons-----							
European Community							
Belgium-Luxembourg							
1970-74	281	3	534	818	111	4,011	223
1984	322	8	740	1,070	144	4,120	181
1985	332	8	726	1,066	159	4,080	177
1986	331	8	745	1,084	169	4,213	173
1987	330	8	780	1,118	172	4,030	163
Denmark							
1970-74	195	1	753	949	86	4,706	76
1984	247	1	1,040	1,288	111	5,234	81
1985	235	1	1,083	1,319	115	5,099	81
1986	243	1	1,143	1,387	115	5,111	82
1987	237	1	1,152	1,390	112	4,855	81
France							
1970-74	1,577	129	1,341	3,047	727	24,092	668
1984	1,936	175	1,625	3,736	1,247	27,595	878
1985	1,845	176	1,607	3,628	1,272	26,830	877
1986	1,862	166	1,520	3,548	1,324	27,420	881
1987	1,940	168	1,565	3,673	1,357	26,320	859
Germany, Fed. Rep.							
1970-74	1,291	11	2,403	3,705	266	21,458	882
1984	1,614	29	2,734	4,377	351	26,151	769
1985	1,576	27	2,753	4,356	357	25,674	774
1986	1,696	26	2,832	4,554	377	26,350	751
1987	1,710	27	2,845	4,582	391	24,800	741
Greece							
1970-74	93	96	76	265	79	611	121
1984	85	122	146	353	153	664	145
1985	82	122	148	352	146	646	148
1986	79	110	150	339	146	643	147
1987	80	115	152	347	152	635	147
Ireland							
1970-74	241	44	146	431	37	3,899	41
1984	401	42	144	587	53	5,924	38
1985	449	48	136	633	54	6,047	38
1986	480	47	127	654	57	5,816	38
1987	446	51	125	622	58	5,744	38
Italy							
1970-74	1,072	48	626	1,746	775	8,691	626
1984	1,182	71	1,098	2,351	950	10,176	633
1985	1,205	70	1,067	2,342	929	10,227	641
1986	1,180	67	1,170	2,417	940	10,278	606
1987	1,170	68	1,180	2,418	947	10,300	591
Netherlands							
1970-74	311	11	753	1,075	314	8,904	262
1984	500	9	1,257	1,766	410	12,782	652
1985	494	11	1,340	1,845	425	12,550	650
1986	546	8	1,449	2,003	442	12,695	643
1987	560	8	1,535	2,103	467	11,700	651
United Kingdom							
1970-74	952	232	1,001	2,185	631	13,212	851
1984	1,135	286	955	2,376	845	16,550	765
1985	1,126	291	995	2,412	875	16,340	772
1986	1,028	284	1,022	2,334	922	16,218	774
1987	1,040	320	1,037	2,397	953	15,300	750
Total EC-10							
1970-74	6,013	575	7,633	14,221	3,026	89,584	3,750
1984	7,422	743	9,739	17,904	4,264	109,196	4,141
1985	7,344	754	9,855	17,953	4,332	107,493	4,157
1986	7,445	717	10,158	18,320	4,492	108,744	4,094
1987	7,513	766	10,371	18,650	4,609	103,684	4,021

Appendix Table 3--Production of principal livestock products in Western Europe, average 1970-74, annual 1984-87 1/--Continued

Country and year	Principal red meat				Poultry meat 3/	Cow's milk 4/	Eggs
	Beef and Veal	Sheep and goat meat	Pork 2/	Total			
-----1,000 tons-----							
Portugal							
1970-74	80	25	106	211	74	458	40
1984	93	28	180	301	155	720	72
1985	95	29	175	299	156	820	85
1986	98	25	193	316	162	842	84
1987	93	27	195	315	176	870	90
Spain							
1970-74	344	143	545	1,032	556	3,914	490
1984	385	137	1,181	1,703	789	6,240	594
1985	401	131	1,157	1,689	810	6,300	598
1986	440	136	1,166	1,742	759	6,260	640
1987	425	134	1,150	1,709	765	6,150	641
Total EC-12							
1970-74	6,437	743	8,284	15,464	3,656	93,956	4,280
1984	7,900	908	11,100	19,908	5,208	116,156	4,807
1985	7,840	914	11,187	19,941	5,298	114,613	4,839
1986	7,983	878	11,517	20,378	5,413	115,846	4,818
1987	8,031	927	11,716	20,674	5,550	110,704	4,752
Other Western Europe							
Austria							
1970-74	167	1	259	427	46	3,290	88
1984	209	3	379	591	74	3,741	105
1985	223	3	401	627	71	3,760	106
1986	232	3	389	624	73	3,739	108
1987	226	3	385	614	77	3,630	105
Finland							
1970-74	107	3	131	241	7	3,175	73
1984	124	1	169	294	20	3,224	89
1985	125	1	171	297	20	3,083	88
1986	124	1	173	298	22	3,071	84
1987	120	1	173	294	25	2,983	81
Norway							
1970-74	58	16	73	147	8	1,732	37
1984	77	25	84	186	11	2,001	45
1985	77	25	88	190	11	1,973	47
1986	77	26	88	191	12	1,952	47
1987	77	26	88	191	12	1,969	47
Sweden							
1970-74	145	3	258	406	30	3,030	100
1984	154	5	323	482	44	3,795	120
1985	157	5	332	494	45	3,695	115
1986	147	5	309	461	45	3,533	115
1987	139	5	291	435	46	3,497	115
Switzerland							
1970-74	133	3	209	345	18	3,234	41
1984	166	4	276	446	26	3,858	43
1985	171	4	285	460	28	3,845	45
1986	170	4	286	460	28	3,845	44
1987	166	4	289	459	28	3,855	44
Total Other Western Europe							
1970-74	610	26	930	1,566	109	14,461	339
1984	730	38	1,231	1,999	175	16,619	402
1985	753	38	1,277	2,068	175	16,356	400
1986	750	39	1,245	2,034	180	16,140	398
1987	728	39	1,226	1,993	188	15,934	392
Total Western Europe							
1970-74	7,047	769	9,214	17,030	3,765	108,417	4,619
1984	8,630	946	12,331	21,907	5,383	132,775	5,209
1985	8,593	952	12,464	22,009	5,473	130,969	5,240
1986	8,733	917	12,762	22,412	5,593	131,986	5,216
1987	8,759	966	12,942	22,667	5,738	126,638	5,144

1/ Data for 1987 are preliminary. 2/ Excludes commercial lard. 3/ On ready-to-cook basis. 4/ As reported; it does not always include amounts fed to young animals.

Sources: USDA, Foreign Agricultural Service, October 22, 1987.

FAO Production Yearbook, 1986 - Other Western Europe Countries, for sheep & goat.

Appendix table 4--Agricultural imports by country, European Community and Other Western Europe, 1984-86 1/

Commodity and year	SITC Codes		European Community						
	Major head-ings	Sub-head-ings 2/	Belgium Luxembourg	France	West Germany	Italy	Nether-lands	Denmark	Ireland
Million dollars									
Live animals	1984	00	229.1	330.5	209.4	1,015.4	60.2	2.3	119.8
	1985		219.3	325.0	240.3	1,186.1	96.0	3.9	136.5
	1986		312.4	442.3	243.0	1,567.8	189.6	5.1	89.5
Meat and meat preparations	1984	01	334.1	1,742.4	1,922.9	1,897.2	327.3	30.9	64.8
	1985		348.9	1,870.1	2,003.7	2,253.5	334.8	50.4	62.4
	1986		451.0	2,467.6	2,512.3	2,784.7	443.6	89.7	79.9
Dairy products and eggs	1984	02	701.8	376.9	1,462.7	1,413.0	878.0	68.1	32.1
	1985		691.6	408.7	1,514.4	1,735.2	853.2	61.1	34.8
	1986		860.0	587.3	2,350.6	2,032.7	1,158.7	76.3	41.3
Cereals and cereal preparations	1984	04	1,252.6	754.8	1,205.6	1,417.0	993.7	128.5	188.1
	1985		1,016.8	709.6	1,480.1	1,388.8	1,038.7	131.3	184.1
	1986		1,118.3	938.8	1,669.9	1,739.2	1,207.4	167.8	246.0
Wheat and flour	1984	041, 046	265.0	106.7	301.5	747.5	247.4	20.4	70.0
	1985		236.2	77.1	500.4	793.7	276.3	37.3	75.0
	1986		246.0	112.5	516.6	1,115.0	304.6	48.7	107.5
Rice	1984	042	84.8	162.4	92.4	54.4	66.2	8.9	2.5
	1985		81.1	146.2	91.8	93.9	63.6	9.2	3.0
	1986		72.9	176.9	109.1	46.0	63.9	12.2	3.7
Feed grains	1984	043-045	723.5	174.8	485.1	513.0	522.1	48.2	34.5
	1985		514.3	131.3	556.1	363.0	533.5	30.3	19.5
	1986		551.4	104.1	579.3	408.9	614.4	29.4	24.1
Fruit and vegetables	1984	05	869.0	2,380.7	4,797.4	685.9	1,531.0	249.4	188.2
	1985		906.4	2,451.2	4,688.2	952.4	1,664.8	245.1	192.9
	1986		1,187.4	3,228.4	6,118.9	1,048.9	2,089.5	336.0	250.1
Sugar, sugar preparations and honey	1984	06	194.0	232.7	308.8	267.6	194.0	73.3	63.0
	1985		108.5	238.5	340.6	242.8	185.0	59.9	68.6
	1986		134.4	352.3	464.6	302.2	248.0	88.8	87.6
Coffee, tea, cocoa, spices etc.	1984	07	611.6	1,555.0	2,629.5	894.4	1,288.6	247.1	122.2
	1985		702.0	1,598.5	2,815.5	1,143.3	1,322.6	252.1	135.7
	1986		874.8	2,018.7	3,751.1	1,302.0	1,515.9	360.1	156.8
Animal feed	1984	08	600.7	939.6	1,425.1	671.2	1,259.1	436.8	153.0
	1985		533.7	802.4	1,146.4	649.4	1,189.8	369.9	157.7
	1986		675.9	1,084.4	1,326.5	755.1	1,331.6	467.7	252.3
Oilseed cake and meal	1984	0813	247.9	789.6	860.9	315.5	533.1	366.5	78.9
	1985		209.4	648.6	689.7	266.3	518.7	307.4	55.9
	1986		259.3	841.5	756.8	299.1	590.3	383.9	82.1
Meatmeal and fishmeal	1984	0814	48.9	27.6	120.7	28.0	49.7	7.2	2.8
	1985		33.4	26.6	112.4	38.8	55.4	5.7	4.9
	1986		36.1	30.6	146.8	37.7	72.5	8.2	5.0
Miscellaneous food preparations	1984	09	165.0	222.7	254.4	81.6	180.5	33.4	48.6
	1985		174.4	235.2	273.0	102.3	206.8	38.2	53.0
	1986		258.6	321.5	369.2	125.2	243.2	55.7	69.8
Lard	1984	0913	13.1	7.9	4.1	6.6	31.4	3.0	0.5
	1985		16.8	6.2	3.4	5.6	26.3	2.3	0.5
	1986		9.3	7.0	3.9	3.9	19.6	0.4	0.5
Margarine and shortening	1984	0914	16.9	58.1	22.9	10.1	18.3	0.1	3.0
	1985		15.4	59.1	28.1	13.0	34.1	0.5	4.7
	1986		18.5	53.5	20.9	12.2	21.6	1.0	5.4

See footnotes at end of table.

Appendix table 4--Agricultural imports by country, European Community and Other Western Europe, 1984-86 1/--Continued

		Total			Total	Other Western Europe					Total
United Kingdom	Greece	EC-10	Portugal	Spain	EC-12	Austria	Finland	Norway	Sweden	Switzer-land	Western Europe
Million dollars											
264.0	22.9	2,253.6	8.4	30.6	2,292.6	5.5	3.3	2.0	6.2	13.0	2,322.6
307.2	29.1	2,543.4	15.4	57.7	2,616.5	3.5	4.6	2.3	6.1	13.3	2,646.3
430.3	29.4	3,309.4	21.5	160.9	3,491.8	5.9	6.5	4.7	15.4	19.2	3,543.5
1,801.1	456.1	8,576.8	9.3	113.5	8,699.6	46.7	1.1	12.0	43.2	197.9	9,000.5
1,805.4	438.6	9,167.8	37.3	128.6	9,333.7	40.8	0.7	16.0	52.1	188.1	9,631.4
2,149.0	563.4	11,541.2	59.7	291.0	11,891.9	59.1	1.1	21.6	70.6	259.4	12,303.7
811.3	208.8	5,952.7	15.3	113.0	6,081.0	48.0	4.1	6.8	30.0	122.0	6,291.9
781.4	241.2	6,321.6	15.3	118.5	6,455.4	52.3	4.7	7.4	35.0	114.7	6,669.5
958.4	370.0	8,435.3	14.1	231.0	8,680.4	76.5	9.2	12.4	45.9	151.2	8,975.6
844.0	92.2	6,876.5	507.5	613.9	7,997.9	70.6	31.3	99.2	95.7	246.4	8,541.1
919.0	116.3	6,984.7	335.6	553.6	7,873.9	87.1	44.6	81.3	94.9	223.4	8,405.2
1,128.2	305.5	8,521.1	274.0	581.0	9,376.1	103.6	43.5	127.5	113.8	244.3	10,008.8
227.2	5.5	1,991.2	127.6	20.9	2,139.7	0.5	7.1	35.6	10.4	54.3	2,247.6
299.2	66.6	2,361.8	88.1	31.5	2,481.4	0.4	13.5	28.1	9.7	43.6	2,576.7
351.4	102.2	2,904.5	88.4	160.5	3,153.4	0.7	5.6	39.2	8.2	47.0	3,254.1
115.4	6.3	593.3	34.6	26.9	654.8	16.8	5.5	4.4	13.6	15.9	711.0
126.5	5.5	620.8	33.0	7.4	661.2	15.8	7.7	4.2	15.4	14.0	718.3
160.7	5.6	651.0	21.6	7.7	680.3	19.9	5.7	4.7	16.2	34.4	761.2
323.8	54.5	2,879.5	343.5	553.3	3,776.3	8.5	0.7	14.8	10.3	115.7	3,926.3
307.1	14.8	2,469.9	210.9	502.2	3,183.0	26.0	4.1	5.6	7.3	94.2	3,320.2
386.3	165.7	2,863.6	158.0	374.5	3,396.1	17.7	6.1	15.3	9.7	67.9	3,512.8
2,590.7	35.1	13,327.4	44.1	149.5	13,521.0	362.4	197.8	211.6	490.2	627.8	15,410.8
2,625.6	32.6	13,759.2	60.7	172.1	13,992.0	390.7	206.0	202.8	484.5	619.0	15,895.0
3,203.7	50.3	17,513.2	113.0	287.3	17,913.5	507.1	264.6	293.6	604.7	819.2	20,402.7
703.5	4.6	2,041.5	66.3	23.1	2,130.9	26.9	27.7	67.0	46.3	65.9	2,364.7
654.7	23.1	1,921.7	47.2	25.5	1,994.4	24.2	29.2	59.7	47.7	64.3	2,219.5
777.7	4.9	2,460.5	53.9	66.5	2,580.9	44.4	35.5	80.3	60.5	84.7	2,886.3
1,733.0	119.0	9,200.4	61.0	483.9	9,745.3	286.6	269.9	200.7	408.0	315.0	11,225.5
1,553.8	122.5	9,646.0	67.6	494.2	10,207.8	309.4	225.5	188.3	411.3	381.7	11,724.0
1,790.2	150.0	11,919.6	94.9	719.5	12,734.0	435.1	328.7	292.6	592.7	483.0	14,866.1
673.0	44.0	6,202.5	28.3	189.5	6,420.3	149.3	55.4	40.7	159.2	134.6	6,959.5
628.2	41.3	5,518.8	31.4	206.1	5,756.3	134.7	53.9	33.3	130.1	121.2	6,229.5
773.2	50.3	6,717.0	98.0	296.5	7,111.5	154.2	54.3	54.3	138.4	155.9	7,668.6
350.9	11.6	3,554.9	5.9	165.4	3,726.2	109.5	0.2	19.4	49.5	14.7	3,919.5
315.7	7.3	3,019.0	2.4	183.5	3,204.9	98.0	0.0	9.7	35.8	6.0	3,354.4
398.4	8.2	3,619.6	15.6	227.0	3,862.2	118.5	0.3	15.1	29.7	8.5	4,034.3
78.0	13.8	376.7	0.1	11.3	388.1	15.6	43.9	0.1	55.3	36.4	539.4
84.3	13.4	374.9	1.6	8.2	384.7	12.2	39.9	1.3	44.7	31.1	513.9
91.5	16.5	444.9	4.2	6.4	455.5	14.2	36.0	2.5	49.3	34.1	591.6
351.9	48.7	1,386.8	7.6	38.8	1,433.2	36.4	34.8	37.7	68.6	56.3	1,667.0
397.8	46.5	1,527.2	7.0	41.2	1,575.4	36.6	36.7	43.9	75.2	61.7	1,829.5
478.5	43.0	1,964.7	13.2	63.4	2,041.3	67.9	48.6	59.6	96.0	88.4	2,401.8
83.7	0.3	150.6	0.2	--	150.8	--	--	0.1	--	0.7	151.6
85.0	0.2	146.3	0.2	--	146.5	--	0.0	0.4	--	0.5	147.4
56.2	--	100.8	0.2	6.3	107.3	--	--	0.2	--	0.4	107.9
48.2	23.4	201.0	--	2.6	203.6	2.9	--	0.2	6.0	1.6	214.3
52.3	19.9	227.1	0.1	2.5	229.7	2.8	0.0	0.1	5.4	1.9	239.9
54.9	2.4	190.4	0.2	3.2	193.8	2.9	--	0.1	4.7	2.5	204.0

Appendix table 4--Agricultural imports by country, European Community and Other Western Europe, 1984-86 1/--Continued

Commodity and year	SITC Codes		European Community						
	Major head-ings	Sub-head-ings 2/	Belgium Luxembourg	France	West Germany	Italy	Nether-lands	Denmark	Ireland
Million dollars									
Beverages	1984	11	396.0	482.6	836.5	233.4	349.0	116.3	54.0
	1985		400.6	538.3	920.3	329.7	359.0	142.1	65.1
	1986		549.0	645.5	1,251.2	415.0	495.8	176.1	82.7
Nonalcoholic	1984	111	69.1	59.7	50.1	4.7	54.2	2.9	5.9
	1985		66.9	57.9	56.6	9.6	56.8	3.3	7.5
	1986		103.2	89.5	87.7	13.0	82.5	5.1	9.1
Wine	1984	1121	229.0	207.6	546.1	44.7	218.0	88.7	18.1
	1985		243.5	244.5	597.9	75.6	226.1	102.1	21.1
	1986		327.9	236.4	802.0	102.6	313.5	139.8	26.4
Tobacco, unmanufactured	1984	121	122.8	92.7	467.7	120.9	283.2	75.3	17.5
	1985		134.6	101.2	515.3	167.9	299.5	81.8	23.7
	1986		168.7	116.3	631.0	149.3	339.2	91.6	19.1
Tobacco, manufactured	1984	122	106.1	454.8	141.1	293.9	178.2	5.2	20.6
	1985		105.4	539.2	147.8	407.7	188.9	6.1	22.0
	1986		122.5	518.8	202.1	490.3	236.4	7.0	27.8
Hides, skins, and furs undressed	1984	21	100.8	214.5	361.5	1,177.9	125.0	70.0	4.2
	1985		96.1	226.1	365.5	1,181.8	125.3	103.1	2.5
	1986		85.4	226.7	393.3	1,242.4	131.8	143.7	2.5
Oilseeds, oil, nuts, and oil kernels	1984	22	542.7	334.3	1,311.5	505.7	1,088.1	84.2	2.9
	1985		550.2	236.6	1,497.9	468.0	1,007.2	36.3	3.1
	1986		568.9	206.7	1,524.4	386.5	948.6	25.1	4.1
Soybeans	1984	2214	409.7	178.4	723.8	444.5	809.7	44.3	0.9
	1985		341.3	142.6	673.1	378.5	695.4	25.7	1.3
	1986		297.2	116.3	653.9	288.0	577.3	14.2	1.5
Natural rubber	1984	2311	40.5	188.4	212.4	142.0	13.9	4.4	7.6
	1985		35.5	153.3	185.6	132.8	12.5	4.1	5.5
	1986		39.1	152.9	183.7	135.4	13.3	4.4	6.6
Natural fibers	1984	261-265	387.1	828.0	902.2	1,527.5	77.7	22.7	63.1
	1985		381.1	762.0	856.8	1,590.9	84.0	20.6	62.4
	1986		397.3	650.0	764.5	1,427.3	84.3	23.1	61.5
Raw cotton	1984	2631	63.8	276.0	374.6	490.9	17.1	5.0	34.0
	1985		61.3	234.8	360.2	465.9	15.0	2.9	29.9
	1986		52.7	165.8	267.2	376.9	15.4	3.6	26.7
Crude animal & veg. matls. not elsewhere spec.	1984	29	157.1	584.6	1,311.0	300.5	333.2	142.2	28.2
	1985		165.8	651.4	1,317.4	410.0	341.4	152.0	32.1
	1986		221.2	884.5	1,817.0	501.4	472.0	190.1	40.6
Agricultural fats and oils	1984	4	367.7	825.7	1,037.8	511.8	846.0	130.2	59.1
	1985		353.1	742.0	933.7	687.9	759.9	143.0	62.7
	1986		289.7	560.4	696.2	714.2	528.9	123.9	55.2
Animal & vegetable oils & fats, processed	1984	431	80.0	125.6	194.3	49.1	123.5	63.4	12.6
	1985		78.9	111.1	210.9	54.0	124.4	70.2	14.7
	1986		62.8	92.4	163.1	40.4	98.6	65.4	14.0
Total agricultural 3/	1984		7,178.7	12,540.8	20,797.5	13,156.9	10,006.7	1,920.3	1,237.0
	1985		6,924.1	12,589.4	21,242.5	15,030.5	10,069.4	1,901.0	1,304.8
	1986		8,314.6	15,403.2	26,269.4	17,119.6	11,677.9	2,432.0	1,573.4
Total imports	1984		54,746.3	103,612.7	152,872.0	81,970.9	62,136.1	16,535.9	9,658.0
	1985		55,560.8	107,588.1	157,596.6	88,592.5	65,212.3	17,985.5	10,048.9
	1986		68,024.8	127,854.0	189,646.7	99,774.6	75,580.2	22,725.6	11,563.7

-- = None or negligible.

1/ Intra-EC trade included in data. 2/ Components of major headings. 3/ Sum of all major headings.

Source: UN Trade Statistics 1982-1986. SITC is the Standard International Trade Classification revised.

Appendix table 4--Agricultural imports by country, European Community and Other Western Europe, 1984-86 1/--Continued

		Total EC-10			Total EC-12	Other Western Europe					Total Western Europe
United Kingdom	Greece		Portugal	Spain		Austria	Finland	Norway	Sweden	Switzerland	
Million dollars											
946.7	29.3	3,443.8	5.7	85.3	3,534.8	37.4	16.6	35.7	124.2	269.5	4,018.2
1,087.2	40.3	3,882.6	5.9	89.7	3,978.2	40.2	17.2	46.9	130.9	293.2	4,506.6
1,478.5	47.7	5,141.5	23.4	189.4	5,354.3	61.1	29.4	66.2	189.9	416.1	6,117.0
40.1	8.1	294.8	--	3.2	298.0	3.2	1.1	2.5	9.0	23.8	337.6
39.5	9.1	307.2	--	4.2	311.4	2.8	1.6	4.2	11.2	26.7	357.9
61.1	7.6	458.8	1.5	8.0	468.3	5.3	2.8	9.3	18.4	43.3	547.4
625.4	1.0	1,978.6	0.2	3.0	1,981.8	15.4	7.9	17.5	61.3	202.5	2,286.4
738.4	1.0	2,250.2	0.1	3.4	2,253.7	17.6	7.6	21.8	65.0	222.0	2,587.7
1,005.7	1.1	2,955.4	0.9	9.5	2,965.8	27.1	13.6	32.5	95.9	311.9	3,446.8
429.4	33.5	1,643.0	27.5	324.4	1,994.9	30.6	35.3	26.4	51.9	79.7	2,218.8
352.2	28.1	1,704.3	17.8	301.0	2,023.1	37.0	33.9	22.1	54.3	84.3	2,254.7
321.3	38.1	1,874.6	16.2	285.9	2,176.7	37.2	35.1	24.5	35.3	94.4	2,403.2
116.9	8.2	1,325.0	0.2	60.0	1,385.2	5.3	3.7	22.9	31.9	14.3	1,463.3
146.7	10.8	1,574.6	0.2	38.3	1,613.1	4.0	5.0	23.7	31.4	14.0	1,691.2
175.5	15.2	1,795.6	0.8	38.1	1,834.5	5.7	6.3	36.2	48.5	19.9	1,951.1
315.7	34.6	2,404.2	54.4	226.2	2,684.8	33.6	34.0	21.5	59.2	16.9	2,850.0
307.9	38.0	2,446.3	58.2	269.9	2,774.4	35.2	42.5	16.0	58.8	23.0	2,949.9
317.3	44.8	2,587.9	72.7	313.5	2,974.1	49.4	35.3	22.4	77.3	27.9	3,186.4
315.1	27.2	4,211.7	406.6	743.6	5,361.9	10.5	25.3	93.5	28.8	55.1	5,575.1
307.7	53.4	4,160.4	270.9	478.2	4,909.5	10.7	33.6	80.3	25.1	51.2	5,110.4
397.8	51.2	4,113.3	208.7	530.7	4,852.7	14.2	35.9	73.9	19.8	44.4	5,040.9
153.8	15.5	2,780.6	258.2	714.9	3,753.7	0.5	20.5	82.6	0.8	29.0	3,887.1
126.0	38.5	2,422.4	199.7	448.5	3,070.6	0.6	29.1	68.2	0.1	29.4	3,198.0
145.6	33.2	2,127.2	161.8	492.2	2,781.2	1.0	32.0	62.2	0.7	24.1	2,901.2
127.2	9.9	746.3	11.5	104.0	861.8	27.0	7.2	3.4	13.0	3.1	915.5
115.3	9.2	653.8	10.8	100.2	764.8	23.7	7.1	3.0	12.5	3.1	814.2
112.4	9.8	657.6	11.4	98.1	767.1	22.0	6.8	3.1	12.4	3.3	814.7
658.3	123.2	4,589.8	336.6	213.2	5,139.6	91.8	30.8	13.1	24.6	226.8	5,526.7
697.0	134.3	4,589.1	322.2	242.4	5,153.7	91.6	24.2	12.0	20.9	245.2	5,547.6
590.1	120.2	4,118.3	252.1	203.7	4,574.1	88.4	16.4	12.0	18.2	219.3	4,928.4
88.2	76.8	1,426.4	287.9	118.0	1,832.3	46.2	16.2	4.7	10.2	122.8	2,032.4
84.5	86.6	1,341.1	272.7	143.2	1,757.0	45.8	12.2	3.9	7.8	133.6	1,960.3
64.9	61.8	1,035.0	205.4	108.4	1,348.8	36.0	4.9	2.7	6.1	102.7	1,501.2
425.7	21.7	3,304.2	17.6	90.1	3,411.9	122.5	88.6	48.0	156.4	197.5	4,024.9
465.2	23.8	3,559.1	17.1	105.9	3,682.1	121.6	103.2	49.2	164.8	204.2	4,325.1
592.7	28.0	4,747.5	27.1	141.0	4,915.6	163.9	122.2	75.0	209.6	280.4	5,766.7
715.5	10.3	4,504.1	34.1	86.6	4,624.8	106.2	21.6	27.4	100.8	59.9	4,940.7
684.9	16.7	4,383.9	24.3	90.4	4,498.6	97.8	20.1	34.8	104.8	63.7	4,819.8
535.4	35.3	3,539.2	19.3	116.4	3,674.9	82.8	20.1	35.1	75.6	66.3	3,954.8
110.4	5.7	764.6	6.4	6.1	777.1	24.7	7.4	3.8	26.3	13.3	852.6
109.5	6.7	780.4	6.5	5.5	792.4	22.5	7.2	3.7	26.1	12.6	864.5
85.0	22.7	644.4	5.2	8.8	658.4	21.6	7.3	4.4	22.1	13.4	727.2
13,823.0	1,329.3	81,990.2	1,641.9	3,689.2	87,321.3	1,497.3	888.5	969.6	1,938.2	2,701.7	95,316.6
13,837.2	1,445.8	84,344.7	1,344.9	3,513.5	89,203.1	1,541.2	892.7	923.0	1,940.5	2,769.2	97,269.7
16,210.0	1,957.2	100,957.3	1,374.0	4,614.1	106,945.4	1,978.7	1,099.4	1,295.0	2,424.7	3,477.3	117,220.5
105,687.5	9,611.0	596,830.4	7,975.3	28,606.6	633,412.3	19,572.8	12,435.4	13,885.0	26,331.2	29,624.0	735,260.7
109,414.5	10,137.9	622,137.1	7,649.7	30,066.5	659,853.3	20,802.6	13,225.9	14,519.1	28,537.7	30,625.9	767,564.5
125,448.8	11,240.3	731,858.7	9,393.3	35,406.5	776,658.5	26,793.1	15,324.5	20,298.2	32,492.8	41,187.7	912,754.8

Appendix table 5--Agricultural exports by country, European Community and Other Western Europe, 1984-86 1/

Commodity and year	SITC Codes		European Community						
	Major head-ings	Sub-head-ings 2/	Belgium Luxembourg	France	West Germany	Italy	Nether-lands	Denmark	Ireland
Million dollars									
Live animals	1984	00	198.6	796.6	294.5	17.1	502.6	20.1	277.8
	1985		200.9	827.8	294.9	14.0	547.0	20.1	268.5
	1986		318.2	1,173.7	452.5	10.1	728.9	22.9	342.9
Meat and meat preparations	1984	01	854.3	1,272.1	1,113.7	279.1	2,259.2	1,905.9	579.7
	1985		840.4	1,194.2	1,080.9	364.8	2,369.5	1,938.3	649.9
	1986		1,216.0	1,630.3	1,611.2	421.5	3,142.2	2,389.1	885.0
Dairy products and eggs	1984	02	737.2	1,729.8	1,868.1	179.5	2,539.3	737.5	633.5
	1985		704.4	1,721.2	1,813.6	205.0	2,415.8	694.3	572.4
	1986		1,004.1	2,139.9	2,343.6	245.4	3,020.0	849.7	631.0
Cereals and cereal preparations	1984	04	986.5	4,515.1	929.5	731.4	475.5	402.4	69.9
	1985		773.5	4,637.8	800.3	1,076.1	509.0	424.3	75.5
	1986		810.4	5,009.8	1,220.9	1,067.0	599.3	528.7	91.1
Wheat and flour	1984	041,	147.1	2,396.9	389.8	198.8	110.4	73.1	10.1
	1985	046	135.0	2,647.0	255.3	345.5	116.3	65.7	9.6
	1986		107.3	2,495.0	427.7	264.1	100.9	73.9	20.0
Rice	1984	042	105.0	37.8	24.8	226.4	53.5	0.4	0.3
	1985		113.8	10.9	23.3	304.3	56.7	0.3	--
	1986		127.2	36.3	28.4	281.2	52.6	0.3	1.0
Feed grains	1984	043-	428.7	1,624.0	141.9	37.6	32.1	152.6	31.1
	1985	045	221.3	1,500.7	114.9	95.2	29.4	160.2	32.5
	1986		175.8	1,931.4	181.8	88.6	36.9	209.5	32.9
Fruit and vegetables	1984	05	598.5	1,233.7	578.3	2,057.7	2,284.0	118.6	40.7
	1985		657.9	1,301.3	627.9	2,249.7	2,127.7	145.8	45.2
	1986		940.2	1,659.0	847.2	2,649.3	2,828.6	168.1	58.4
Sugar, sugar preparations and honey	1984	06	282.0	798.8	412.5	59.0	284.2	112.6	59.4
	1985		228.6	630.4	375.4	69.3	284.2	117.0	61.5
	1986		334.4	711.4	523.1	69.2	386.5	158.4	66.7
Coffee, tea, cocoa, spices etc.	1984	07	349.8	308.4	899.2	153.0	963.7	46.2	100.3
	1985		434.8	379.3	1,051.1	163.0	1,024.5	53.2	103.9
	1986		551.0	483.1	1,386.1	220.1	1,183.4	75.2	141.9
Animal feed	1984	08	494.6	592.9	726.9	127.0	797.2	173.3	41.3
	1985		445.4	530.5	777.4	114.0	720.8	141.3	40.3
	1986		514.6	640.1	942.5	121.3	871.2	170.8	48.0
Oilseed cake and meal	1984	0813	283.0	32.0	257.7	37.0	407.5	2.5	0.5
	1985		247.7	22.2	279.6	31.3	332.8	1.3	0.6
	1986		261.8	20.5	290.5	35.8	351.0	1.7	0.9
Meatmeal and fishmeal	1984	0814	46.1	39.9	103.1	23.5	17.7	124.9	6.1
	1985		21.0	26.2	86.9	30.2	16.9	89.2	5.8
	1986		24.4	27.7	96.4	23.9	19.7	106.9	7.9
Miscellaneous food preparations	1984	09	231.5	254.5	351.5	93.4	592.2	152.8	345.5
	1985		261.4	262.2	386.2	115.2	625.3	157.6	436.5
	1986		303.5	354.6	453.4	158.8	718.5	199.3	554.5

See footnotes at end of table.

Appendix table 5--Agricultural exports by country, European Community and Other Western Europe, 1984-86 1/--Continued

United Kingdom	Greece	Total EC-10			Total EC-12	Other Western Europe					Total Western Europe
			Portugal	Spain		Austria	Finland	Norway	Sweden	Switzerland	
Million dollars											
256.1	1.3	2,364.7	0.5	8.9	2,374.1	62.4	2.9	0.4	5.6	8.8	2,454.2
338.9	0.8	2,512.9	1.0	7.8	2,521.7	46.7	2.0	0.3	7.5	11.4	2,589.6
439.6	1.5	3,490.3	1.3	16.4	3,508.0	59.5	3.8	0.5	6.3	15.8	3,593.9
658.4	1.5	8,923.9	11.2	41.7	8,976.8	109.6	64.1	14.3	150.1	6.9	9,321.8
643.5	1.5	9,083.0	11.8	31.7	9,126.5	135.1	70.4	13.2	144.7	8.8	9,498.7
765.0	2.7	12,063.0	12.1	53.5	12,128.6	140.7	51.1	5.3	111.1	12.4	12,449.2
330.7	13.9	8,769.6	9.3	12.9	8,791.8	148.8	164.7	53.6	55.4	238.3	9,452.6
364.0	15.9	8,506.6	7.6	6.4	8,520.6	130.3	145.5	48.0	49.4	245.9	9,139.7
486.0	22.5	10,742.2	10.6	19.9	10,772.7	161.9	138.3	56.0	43.0	332.5	11,504.4
1331.0	270.4	9,711.7	4.0	47.3	9,763.0	169.1	118.8	10.3	203.2	29.4	10,293.8
1077.6	172.4	9,546.5	2.8	168.8	9,718.1	145.7	84.3	11.2	254.1	34.1	10,247.5
1725.2	295.8	11,348.2	4.8	193.8	11,546.8	178.2	74.5	12.4	185.5	54.6	12,052.0
377.8	184.6	3,944.6	--	15.5	3,960.1	83.8	7.9	0.3	109.4	0.1	4,161.6
306.1	118.4	3,998.9	--	34.9	4,033.8	89.4	7.6	0.1	91.2	--	4,222.1
690.0	138.3	4,317.2	--	49.8	4,367.0	60.8	5.1	--	53.7	0.1	4,486.7
2.4	8.2	458.6	0.1	14.6	473.3	--	--	--	0.1	--	473.4
2.8	3.9	516.0	--	32.6	548.6	--	--	--	0.2	--	548.8
32.2	12.0	571.2	1.1	21.4	593.7	--	--	--	0.2	0.4	594.3
598.6	8.0	3,054.7	0.2	4.5	3,059.4	44.7	91.6	--	43.8	0.4	3,239.9
415.4	35.4	2,605.0	0.1	85.2	2,690.3	19.0	57.0	--	107.8	--	2,874.1
628.1	129.2	3,414.2	--	103.0	3,517.2	52.0	50.1	--	56.3	0.3	3,675.9
258.6	681.7	7,851.8	104.7	1,999.5	9,956.0	67.0	10.4	4.4	44.7	42.2	10,124.7
268.3	690.9	8,114.7	94.7	1,843.9	10,053.3	73.7	7.1	4.7	40.4	34.6	10,213.8
371.8	812.1	10,334.7	118.1	2,583.4	13,036.2	92.6	7.9	5.6	56.8	52.1	13,251.2
222.1	14.6	2,245.2	6.8	43.0	2,295.0	20.0	16.7	2.4	29.2	26.9	2,390.2
285.6	8.2	2,060.2	2.7	48.6	2,111.5	15.7	10.6	2.7	30.3	32.1	2,202.9
249.7	8.8	2,508.2	2.5	108.4	2,619.1	30.7	14.7	3.7	51.0	50.1	2,769.3
487.3	8.2	3,316.0	2.0	95.8	3,413.8	39.8	33.3	10.3	63.4	157.4	3,718.0
505.6	7.7	3,723.1	1.5	110.0	3,834.6	72.2	34.2	7.9	62.3	172.9	4,184.1
533.5	7.7	4,582.0	4.8	114.6	4,701.4	82.6	40.4	12.1	84.5	229.3	5,150.3
129.8	44.3	3,127.4	43.9	236.7	3,408.0	10.9	7.5	146.7	11.5	20.7	3,605.3
157.6	28.6	2,955.9	34.2	108.6	3,098.7	10.4	7.8	97.9	11.2	20.9	3,246.9
204.1	38.4	3,551.0	29.7	72.0	3,652.7	17.2	10.5	90.4	20.7	29.5	3,821.0
7.1	6.6	1,033.9	41.8	161.6	1,237.3	--	--	34.0	1.4	0.4	1,273.1
6.2	8.0	929.7	33.2	63.4	1,026.3	--	--	24.6	0.4	0.3	1,051.6
9.6	13.8	985.6	28.1	21.9	1,035.6	0.1	--	30.4	0.2	0.1	1,066.4
3.1	--	364.5	0.3	1.6	366.4	3.7	--	101.2	1.0	0.7	473.0
2.6	--	278.8	0.1	1.4	280.3	4.2	--	60.9	0.6	0.8	346.8
4.8	--	311.7	--	3.0	314.7	5.7	--	38.0	2.2	0.8	361.4
201.3	8.3	2,231.1	5.1	42.1	2,278.3	18.7	11.8	15.0	35.4	154.6	2,513.8
229.6	8.3	2,482.3	5.0	44.2	2,531.5	20.6	25.0	13.1	45.8	166.0	2,802.0
232.5	12.2	2,987.3	4.0	66.8	3,058.1	30.5	33.1	18.0	51.0	198.9	3,389.6

Appendix table 5--Agricultural exports by country, European Community and Other Western Europe, 1984-86 1/--Continued

Commodity and year	SITC Codes		European Community						
	Major head-ings	Sub-head-ings 2/	Belgium Luxembourg	France	West Germany	Italy	Nether-lands	Denmark	Ireland
Million dollars									
Beverages	1984	11	174.3	2,656.6	652.3	904.0	486.7	110.6	186.6
	1985		190.8	2,981.2	709.6	988.7	449.9	106.9	210.7
	1986		261.3	4,000.3	856.4	985.9	651.3	149.4	258.3
Nonalcoholic	1984	111	75.9	122.1	55.4	14.4	141.8	14.7	13.3
	1985		86.4	145.3	75.3	14.6	94.8	13.1	12.3
	1986		127.8	209.9	94.9	19.9	130.8	17.0	20.3
Wine	1984	1121	23.1	1,683.1	347.5	803.2	9.5	3.5	0.4
	1985		24.0	1,941.3	362.2	879.7	8.9	4.0	0.5
	1986		33.4	2,682.0	405.5	848.1	10.7	5.2	0.6
Tobacco, unman- ufactured	1984	121	19.7	25.0	20.3	105.3	59.2	2.8	0.6
	1985		19.9	21.3	23.3	91.6	52.2	4.5	0.4
	1986		23.9	30.7	31.5	112.5	77.9	6.3	1.9
Tobacco, manu- factured	1984	122	184.5	64.9	416.2	3.8	597.0	43.8	38.0
	1985		204.0	66.3	468.3	5.2	643.3	48.8	41.2
	1986		258.6	79.1	668.6	4.5	913.8	75.4	46.3
Hides, skins, and furs undressed	1984	21	91.5	342.8	209.7	48.8	233.5	313.5	57.7
	1985		82.5	337.4	200.7	68.9	238.9	342.5	61.6
	1986		92.4	361.8	260.8	63.5	282.7	420.8	95.3
Oilseeds, oil, nuts, and oil kernels	1984	22	20.2	302.6	57.5	2.7	56.9	105.5	3.4
	1985		14.8	572.3	51.5	3.0	54.0	171.6	6.0
	1986		19.9	691.7	94.0	3.9	72.6	194.2	2.5
Natural rubber	1984	2311	1.8	8.6	5.2	2.2	1.7	--	0.1
	1985		0.4	9.2	4.6	2.6	1.8	--	0.1
	1986		0.8	8.7	5.6	2.3	2.2	--	0.1
Natural fibers	1984	261- 265	264.7	549.1	204.8	66.4	44.2	1.3	17.2
	1985		253.5	544.2	197.4	57.9	50.3	1.4	15.2
	1986		261.5	569.5	180.2	55.5	57.5	2.1	16.2
Crude animal & veg. matls. not elsewhere spec.	1984	29	147.0	280.2	342.4	243.3	1,603.9	266.7	33.6
	1985		167.5	280.4	380.1	226.2	1,732.7	292.8	37.0
	1986		238.1	375.6	530.1	295.5	2,464.8	399.0	58.9
Agricultural fats and oils	1984	4	390.0	422.8	901.5	254.7	978.5	129.7	15.2
	1985		423.3	414.1	953.3	301.3	878.3	131.4	17.0
	1986		343.4	295.8	774.8	328.3	690.1	126.5	14.0
Animal and vege- table oils and fats, processed	1984	431	45.9	48.1	310.6	37.5	272.5	56.2	0.8
	1985		50.6	39.9	294.7	39.7	245.8	61.5	0.9
	1986		40.9	30.4	276.4	32.6	208.6	65.2	0.9
Total agricul- tural 3/	1984		6,026.7	16,154.5	9,984.2	5,328.4	14,759.5	4,643.3	2,500.5
	1985		5,904.0	16,710.7	10,196.5	6,116.5	14,725.1	4,791.8	2,642.9
	1986		7,492.3	20,215.0	13,182.6	6,814.6	18,691.7	5,936.0	3,313.2
Total exports	1984		51,416.4	93,163.9	171,014.2	73,357.9	65,873.9	15,485.5	9,626.7
	1985		53,316.4	97,456.5	183,333.9	78,943.4	68,282.4	16,469.0	10,399.2
	1986		68,649.0	119,070.6	242,403.9	97,815.0	80,554.8	20,558.4	12,603.7

-- = None or negligible.

1/ Intra-EC trade included in data. 2/ Components of major headings. 3/ Sum of all major headings.

Source: UN Trade Statistics 1982-1986. SITC is the Standard International Trade Classification revised.

Appendix table 5--Agricultural exports by country, European Community and Other Western Europe, 1984-86 1/--Continued

United Kingdom	Greece	Total EC-10	Portugal	Spain	Total EC-12	Other Western Europe					Total Western Europe
						Austria	Finland	Norway	Sweden	Switzerland	
Million dollars											
1,551.2	39.9	6,762.2	179.8	333.8	7,275.8	61.5	16.3	3.8	16.4	39.9	7,413.7
1,621.9	54.4	7,314.1	188.8	373.4	7,876.3	58.4	20.5	4.3	20.7	39.6	8,019.8
1,951.8	68.2	9,182.9	256.3	475.7	9,914.9	57.4	24.6	6.0	29.4	45.6	10,077.9
23.4	3.5	464.6	0.8	4.7	470.1	20.5	3.2	0.6	3.4	30.0	527.8
27.9	1.8	471.5	2.3	3.3	477.1	21.2	6.1	1.1	4.5	26.6	536.6
34.2	2.1	656.9	2.0	5.8	664.7	27.6	7.6	2.0	7.1	32.3	741.3
51.5	19.4	2,941.2	174.2	296.0	3,411.4	25.7	--	--	--	4.2	3,441.3
53.6	34.1	3,308.3	181.5	332.7	3,822.5	20.4	--	--	--	7.6	3,850.5
44.4	42.7	4,072.6	249.4	421.3	4,743.3	6.8	--	--	--	5.7	4,755.8
15.7	183.1	431.6	--	2.9	434.5	0.9	--	--	0.4	29.0	464.8
11.7	149.9	374.8	0.3	1.8	376.9	0.4	0.1	0.1	0.5	28.5	406.5
18.4	213.9	517.0	0.7	2.7	520.4	0.9	--	0.2	0.5	36.6	558.6
548.6	2.2	1,898.9	1.3	7.1	1,907.3	1.8	8.9	7.3	17.3	87.1	2,029.7
590.3	3.0	2,070.4	1.1	4.9	2,076.4	1.7	9.0	6.3	17.3	69.6	2,180.3
577.1	5.3	2,628.7	1.3	11.9	2,641.9	2.3	11.7	8.6	20.0	105.6	2,790.1
375.8	37.2	1,710.5	5.5	12.2	1,728.2	21.7	260.2	74.8	75.1	46.1	2,206.1
373.3	39.9	1,745.7	6.3	15.7	1,767.7	25.6	257.7	79.3	98.2	49.8	2,278.3
381.3	30.8	1,989.4	5.8	26.9	2,022.1	30.4	296.7	72.5	130.2	63.0	2,614.9
72.4	1.1	622.3	--	3.8	626.1	4.6	--	--	21.7	1.8	654.2
116.9	9.4	999.5	--	3.7	1,003.2	4.4	--	0.1	24.6	1.9	1,034.2
227.9	42.8	1,349.5	0.7	3.5	1,353.7	6.6	--	0.2	14.7	1.2	1,376.4
5.5	--	25.2	--	--	25.2	0.2	--	--	0.5	--	25.9
4.4	--	23.1	--	0.4	23.5	--	0.1	--	0.5	--	24.1
3.6	--	23.3	0.2	0.6	24.1	0.1	--	--	0.9	0.1	25.2
326.6	75.0	1,549.4	8.3	53.1	1,610.8	8.1	0.6	4.9	1.8	34.1	1,660.3
324.5	72.5	1,516.9	6.9	76.0	1,599.8	9.4	0.4	5.2	1.2	31.8	1,647.8
332.6	39.7	1,514.8	5.3	56.4	1,576.5	7.6	0.4	6.1	1.5	32.3	1,624.4
101.4	13.7	3,032.3	13.5	97.4	3,143.2	15.9	5.1	12.6	29.5	31.0	3,237.3
122.0	12.8	3,251.5	13.3	110.1	3,374.9	15.7	4.8	11.1	31.0	36.6	3,474.1
161.8	16.9	4,540.7	17.8	144.8	4,703.3	19.8	6.4	14.2	35.3	52.7	4,831.7
122.0	183.6	3,397.8	114.9	439.3	3,952.0	15.7	24.0	87.4	90.8	17.8	4,187.7
124.0	94.0	3,336.7	89.4	475.2	3,901.3	16.2	23.1	79.2	88.2	18.1	4,126.1
154.3	206.7	2,933.9	49.7	336.6	3,320.2	11.1	17.8	56.0	75.3	17.2	3,497.6
43.8	1.4	816.9	3.3	6.7	826.9	2.3	15.6	46.4	33.2	4.7	929.1
56.5	0.7	790.3	2.7	7.1	800.1	2.5	15.4	34.9	39.1	4.0	896.0
51.9	1.7	708.6	0.6	5.0	714.2	1.6	10.8	32.5	36.3	4.2	799.6
6,994.5	1,580.0	67,971.6	510.8	3,477.5	71,959.9	776.7	745.3	448.2	852.0	972.0	75,754.1
7,159.7	1,370.2	69,617.4	467.4	3,431.2	73,516.0	782.2	702.6	384.6	927.9	1,002.6	77,315.9
8,816.2	1,825.9	86,287.5	525.4	4,287.7	91,100.6	930.2	732.0	367.7	917.8	1,329.2	95,377.5
94,306.1	4,864.2	579,108.8	5,207.7	23,283.0	607,599.5	15,712.2	13,497.8	18,913.7	29,258.3	25,723.9	710,705.4
101,173.5	4,536.2	613,910.5	5,685.4	24,306.8	643,902.7	17,102.3	13,608.9	18,662.5	30,403.2	27,281.1	750,960.7
106,653.5	5,660.2	753,969.1	7,159.9	27,250.4	788,379.4	22,516.6	16,325.2	18,229.7	37,117.5	37,533.6	920,102.0

Appendix table 6--U.S. exports as a share of West European agricultural imports by country, 1984-86 1/

Commodity and year	SITC Codes		European Community						
	Major head-ings	Sub-head-ings	Belgium Luxembourg	France	West Germany	Italy	Nether-lands	Denmark	Ireland
Percent									
Live animals	1984	00	0.0	1.4	0.3	0.2	2.7	8.7	38.3
	1985		0.1	1.9	0.3	0.6	2.1	17.9	47.1
	1986		0.0	2.1	0.5	0.4	1.7	7.8	39.2
Meat and meat preparations	1984	01	8.5	5.7	0.3	0.1	5.8	5.2	0.0
	1985		8.2	4.6	0.2	0.1	4.7	2.0	0.0
	1986		9.3	4.2	0.2	0.1	5.0	3.7	0.0
Dairy products and eggs	1984	02	0.0	0.3	0.1	0.0	0.1	0.1	1.9
	1985		0.0	0.2	0.1	0.1	0.0	0.0	0.0
	1986		0.0	0.2	0.1	0.0	0.1	0.3	0.0
Cereals and cereal preparations	1984	04	24.9	26.7	11.2	12.3	9.2	4.5	1.6
	1985		14.0	19.4	7.1	11.0	6.3	2.8	1.3
	1986		4.4	10.8	1.9	6.4	2.9	3.6	1.3
Wheat and flour	1984	041, 046	10.2	27.5	4.3	12.3	21.3	2.0	0.6
	1985		5.5	33.3	2.1	9.9	9.9	1.3	0.9
	1986		4.1	13.2	0.9	6.8	6.2	3.7	0.9
Rice	1984	042	76.5	39.0	25.9	26.8	3.2	23.6	12.0
	1985		62.5	34.5	14.8	25.8	3.8	18.5	3.3
	1986		36.4	35.0	16.6	0.2	4.9	18.0	5.4
Feed grains	1984	043-045	30.4	61.6	20.0	13.3	7.0	5.2	5.2
	1985		15.2	46.8	14.5	13.7	6.6	1.7	6.2
	1986		2.3	22.5	1.3	8.5	1.8	3.7	6.2
Fruit and vegetables	1984	05	1.1	4.1	3.2	3.4	3.1	6.6	1.8
	1985		1.3	3.8	3.5	4.7	2.9	6.2	1.4
	1986		1.1	3.5	2.9	3.7	3.0	6.3	1.4
Sugar, sugar preparations, and honey	1984	06	0.5	1.6	0.5	0.0	3.8	4.0	1.4
	1985		1.4	0.8	0.4	0.0	3.4	1.7	1.9
	1986		0.6	1.2	1.3	0.1	4.8	2.4	5.5
Coffee, tea, cocoa, spices etc.	1984	07	0.1	0.0	0.0	0.0	0.4	0.0	0.2
	1985		0.1	0.0	0.0	0.0	0.4	0.0	0.1
	1986		0.1	0.0	0.0	0.0	0.2	0.1	0.1
Animal feed	1984	08	8.6	2.9	29.1	22.1	35.4	7.4	30.3
	1985		5.6	3.3	21.3	14.9	28.2	4.4	33.5
	1986		8.6	6.1	23.6	23.2	29.7	10.6	44.0
Oilseed cake and meal	1984	0813	9.0	0.9	20.2	44.4	29.5	6.2	49.2
	1985		5.8	0.8	13.7	33.8	21.8	2.9	33.6
	1986		10.7	1.8	18.8	51.2	27.8	11.3	39.3
Meatmeal and fishmeal	1984	0814	0.0	0.0	0.9	0.0	0.2	0.0	0.0
	1985		0.0	0.0	2.5	0.0	0.2	0.0	0.0
	1986		0.0	0.0	0.3	0.0	0.0	0.0	0.0
Miscellaneous food preparations	1984	09	1.0	3.7	3.8	1.1	1.2	3.9	1.4
	1985		0.8	2.8	3.8	1.3	1.3	5.8	1.7
	1986		0.5	2.0	3.7	1.0	1.9	8.3	1.9
Lard	1984	0913	0.0	0.0	14.6	0.0	1.6	0.0	0.0
	1985		0.0	0.0	0.0	0.0	2.7	0.0	0.0
	1986		0.0	0.0	0.0	0.0	3.6	0.0	0.0
Margarine and shortening	1984	0914	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	1985		0.0	0.0	0.0	0.0	0.0	0.0	0.0
	1986		0.0	0.0	0.0	0.0	0.0	0.0	0.0

See footnotes at end of table.

Appendix table 6--U.S. exports as a share of West European agricultural imports by country, 1984-86 1/--Continued

												Total Western Europe
		Total EC-10			Total EC-12	Other Western Europe						
United Kingdom	Greece		Portugal	Spain		Austria	Finland	Norway	Sweden	Switzer- land		
Percent												
11.2	0.4	3.79	0.0	7.2	3.82	1.8	24.2	15.0	33.9	0.8	3.91	
12.8	0.0	4.75	0.0	5.2	4.73	0.0	41.3	8.7	41.0	0.8	4.85	
16.6	0.0	3.84	0.0	1.9	3.73	1.7	35.4	12.8	64.9	0.5	4.05	
1.5	0.1	2.13	0.0	4.2	2.16	4.1	0.0	3.3	4.6	3.7	2.22	
1.7	0.1	1.84	0.0	2.3	1.84	5.1	0.0	5.0	6.0	3.9	1.92	
1.5	0.1	1.86	0.3	1.8	1.85	6.4	0.0	3.7	10.6	4.1	1.98	
0.1	0.0	0.09	0.0	0.3	0.09	0.0	0.0	0.0	0.0	0.0	0.09	
0.0	0.0	0.07	14.4	3.0	0.16	0.4	0.0	0.0	0.0	0.0	0.16	
0.1	0.0	0.09	9.2	12.2	0.43	14.9	0.0	0.0	0.2	0.0	0.54	
9.7	11.8	14.78	94.2	59.3	23.24	5.4	25.9	13.2	21.9	17.5	22.80	
9.2	5.8	10.04	85.8	60.9	16.85	16.3	25.6	3.2	19.4	13.6	16.70	
3.9	2.2	4.55	63.9	28.4	7.76	9.5	16.1	15.6	15.7	14.9	8.18	
3.2	0.0	11.13	99.9	0.0	16.32	0.0	85.9	18.5	50.0	32.8	17.12	
2.2	3.5	6.98	90.1	0.3	9.85	0.0	70.4	0.0	42.3	39.2	10.67	
0.9	0.3	4.53	68.7	1.1	6.15	14.3	76.8	44.4	54.9	51.9	7.52	
1.3	0.0	29.13	49.7	67.3	31.78	17.9	27.3	45.5	71.3	61.0	32.91	
2.3	0.0	23.53	27.6	35.1	23.87	17.1	19.5	47.6	63.0	50.7	25.17	
11.0	0.0	19.94	1.9	46.8	19.67	18.6	31.6	34.0	54.3	25.6	20.82	
21.0	20.0	21.26	97.0	62.5	34.19	7.1	42.9	28.4	39.8	13.1	33.50	
23.0	29.7	15.45	94.5	66.6	28.76	43.8	7.3	5.4	34.2	6.3	28.19	
4.4	3.7	4.02	72.1	42.6	11.44	33.3	14.8	3.3	22.7	4.3	11.42	
5.2	4.8	3.66	0.9	18.3	3.82	2.9	9.7	12.1	9.0	5.1	4.20	
4.6	6.4	3.66	0.3	19.2	3.84	2.7	8.3	10.4	8.8	4.7	4.13	
4.8	13.3	3.37	1.0	13.6	3.52	2.9	8.2	10.0	8.9	4.9	3.87	
0.7	0.0	1.09	0.0	0.4	1.05	0.0	0.0	0.1	0.2	0.6	0.97	
0.3	0.0	0.82	0.0	0.4	0.79	0.4	0.0	0.2	0.4	1.1	0.76	
0.8	0.0	1.45	0.0	0.3	1.39	0.2	0.3	0.1	0.3	1.7	1.31	
0.2	0.4	0.12	0.0	0.5	0.14	0.0	0.0	0.1	0.1	0.2	0.13	
0.3	0.4	0.13	0.0	0.1	0.12	0.0	0.0	0.2	0.2	0.1	0.12	
0.2	0.4	0.08	0.2	0.0	0.08	0.2	0.1	0.1	0.1	0.1	0.08	
7.4	0.7	19.59	13.4	8.1	19.23	2.7	0.2	1.7	4.3	9.5	18.09	
9.2	9.0	15.63	19.7	9.3	15.43	2.8	2.0	0.6	2.8	5.1	14.50	
9.2	5.4	18.51	49.6	14.3	18.76	9.1	2.8	0.4	2.5	3.8	17.73	
6.2	0.0	16.41	13.6	9.0	16.08	2.6	0.0	0.0	8.9	69.4	15.73	
7.5	46.6	12.26	8.3	10.4	12.15	3.7	0.0	0.0	1.1	48.3	11.81	
8.2	29.3	16.92	17.3	7.4	16.36	11.6	0.0	0.0	7.1	49.4	16.16	
0.3	0.0	0.37	0.0	0.0	0.36	5.8	0.0	0.0	0.0	0.3	0.44	
0.5	0.0	0.88	0.0	0.0	0.86	0.8	0.0	0.0	0.0	0.0	0.66	
0.0	0.0	0.11	0.0	0.0	0.11	0.0	0.0	0.0	0.0	0.0	0.08	
4.7	1.2	3.01	3.9	4.1	3.05	0.5	2.6	4.2	8.7	7.1	3.38	
4.2	1.5	2.82	7.1	4.9	2.89	0.8	1.6	5.9	7.6	7.5	3.25	
2.9	1.4	2.42	3.8	2.5	2.43	0.6	1.4	4.7	5.7	5.4	2.66	
0.0	0.0	0.73	0.0	0.0	0.73	0.0	0.0	0.0	0.0	0.0	0.73	
0.0	0.0	0.48	0.0	0.0	0.48	0.0	0.0	0.0	0.0	20.0	0.54	
0.0	0.0	0.69	0.0	0.0	0.65	0.0	0.0	0.0	0.0	0.0	0.65	
0.0	0.0	0.00	0.0	0.0	0.00	0.0	0.0	0.0	0.0	0.0	0.00	
0.0	0.0	0.00	100.0	0.0	0.04	0.0	0.0	0.0	0.0	0.0	0.04	
0.0	0.0	0.00	50.0	0.0	0.05	0.0	0.0	0.0	0.0	0.0	0.05	

Appendix table 6--U.S. exports as a share of West European agricultural imports by country, 1984-86 1/--Continued

Commodity and year	SITC Codes		European Community						
	Major head-ings	Sub-head-ings	Belgium Luxembourg	France	West Germany	Italy	Nether-lands	Denmark	Ireland
Percent									
Beverages	1984	11	0.3	1.2	1.1	0.7	0.5	0.4	0.4
	1985		0.1	1.1	1.0	0.7	0.4	0.5	0.5
	1986		0.2	1.3	0.8	0.6	0.3	0.7	0.8
Nonalcoholic	1984	111	0.0	0.0	0.0	0.0	0.4	0.0	0.0
	1985		0.0	0.0	0.2	0.0	0.2	0.0	0.0
	1986		0.0	0.9	0.0	0.0	0.1	0.0	0.0
Wine	1984	1121	0.3	0.1	0.2	0.0	0.0	0.1	0.6
	1985		0.1	0.1	0.1	0.0	0.0	0.3	0.0
	1986		0.1	0.3	0.1	0.0	0.0	0.4	0.4
Tobacco, unmanufactured	1984	121	16.6	11.9	37.3	62.7	32.0	59.6	28.0
	1985		16.6	15.3	38.5	51.3	28.7	52.4	36.3
	1986		12.4	9.8	39.1	51.9	29.0	53.1	20.4
Tobacco, manufactured	1984	122	2.2	0.1	9.5	0.0	4.2	1.9	1.0
	1985		2.6	0.1	12.3	0.0	6.2	1.6	0.9
	1986		2.0	0.0	11.0	0.0	5.9	2.9	0.7
Hides, skins, and furs, undressed	1984	21	4.5	9.3	17.1	7.3	2.5	14.7	0.0
	1985		3.1	8.1	13.2	6.7	2.6	10.7	0.0
	1986		7.5	8.4	12.7	6.3	1.4	6.4	4.0
Oilseeds, oil, nuts, and oil kernels	1984	22	45.5	55.7	45.5	57.6	58.6	41.2	24.1
	1985		30.2	56.0	30.9	40.9	50.9	60.9	45.2
	1986		36.5	54.6	31.7	53.9	51.7	55.0	39.0
Soybeans	1984	2214	58.7	79.8	68.2	63.2	71.5	74.5	66.7
	1985		47.4	66.8	58.7	42.8	66.2	81.3	100.0
	1986		69.7	83.2	68.9	66.5	79.5	87.3	93.3
Natural rubber	1984	2311	0.0	0.3	0.0	0.1	0.0	0.0	1.3
	1985		0.0	0.4	0.0	0.2	0.0	0.0	1.8
	1986		0.0	0.3	0.0	0.0	0.0	0.0	1.5
Natural fibers	1984	261-	3.3	8.4	8.7	7.9	3.7	9.3	48.3
	1985	265	3.1	8.5	6.2	7.5	2.1	8.3	44.7
	1986		1.8	3.4	4.6	3.3	2.0	3.9	23.4
Raw cotton	1984	2631	16.1	21.5	17.6	21.8	0.0	42.0	88.8
	1985		15.0	22.1	12.3	23.1	0.0	51.7	93.0
	1986		10.2	7.8	10.4	9.9	0.0	16.7	53.9
Crude animal & veg. matls. not elsewhere spec.	1984	29	1.2	3.7	2.7	6.9	9.0	12.0	8.5
	1985		1.5	3.5	3.1	4.8	7.8	9.3	13.7
	1986		1.4	2.9	2.6	3.9	6.8	4.9	5.2
Agricultural fats and oils	1984	4	5.4	0.8	5.7	2.9	8.8	0.3	2.5
	1985		5.9	2.1	4.6	2.7	8.3	0.1	2.1
	1986		5.7	1.1	3.9	4.7	8.2	0.1	1.4
Animal & vegetable oils & fats, processed	1984	431	0.6	1.3	4.4	0.6	2.0	0.5	3.2
	1985		1.5	0.7	3.3	0.6	1.6	0.1	2.0
	1986		1.9	0.5	1.9	0.2	1.5	0.0	2.9
Total agricul-tural (percent)	1984		10.0	6.1	8.4	7.3	14.7	8.9	11.5
	1985		6.4	5.1	6.6	5.5	11.8	7.0	12.9
	1986		5.2	4.0	5.6	4.7	10.5	7.0	11.6
Total imports (percent)	1984		6.1	7.7	7.2	6.2	8.9	5.0	16.5
	1985		5.7	7.6	7.0	6.1	8.3	5.3	17.0
	1986		5.1	7.4	6.5	5.7	7.9	4.8	15.8
Total U.S. agricul-tural exports 3/ (Million Dollars)	1984		753.3	506.9	1065.1	805.9	2322.7	116.0	114.0
	1985		387.1	403.4	944.3	669.4	1868.9	106.6	122.4
	1986		385.1	438.3	1048.4	723.4	2073.1	103.8	97.5
	1987		446.5	522.8	1284.4	696.6	1975.2	108.0	123.4
Total U.S. exports 3/ (Million Dollars)	1984		5203.1	5819.9	8726.7	4273.9	7491.4	587.1	1329.9
	1985		4801.4	5849.8	8684.0	4504.9	7118.5	687.8	1325.7
	1986		5232.0	6922.5	9963.3	4706.3	7687.0	735.8	1409.4
	1987 2/		6189.4	7943.2	11747.7	5529.7	8216.7	892.7	1810.4

-- = None or negligible. 1/ Intra-EC trade included in data. 2/ U.S. Bureau of the Census, preliminary data. 3/ UN and USDA numerical totals may or not be comparable due to differences in product categories, transshipments, and timing of shipments. Sources: UN Trade Statistics 1982-1986. SITC is the Standard International Trade Classification revised. USDA/ERS/FATUS, several issues.

Appendix table 6-- U.S. exports as a share of West European agricultural imports by country, 1984-86 1/--Continued

		Total EC-10			Total EC-12	Other Western Europe					Total Western Europe
United Kingdom	Greece		Portugal	Spain		Austria	Finland	Norway	Sweden	Switzer- land	
Percent											
1.2	1.0	0.94	0.0	1.5	0.95	2.1	2.4	5.3	2.7	0.3	1.02
0.9	1.2	0.80	0.0	1.9	0.82	1.7	1.7	4.9	2.4	0.3	0.89
0.9	1.0	0.75	0.4	1.1	0.76	1.3	1.4	3.8	2.3	0.3	0.82
1.7	0.0	0.31	0.0	0.0	0.30	0.0	0.0	0.0	0.0	0.0	0.27
2.0	0.0	0.33	0.0	0.0	0.32	0.0	0.0	0.0	0.0	0.0	0.28
1.8	0.0	0.44	0.0	0.0	0.43	0.0	0.0	0.0	0.0	0.0	0.37
1.0	0.0	0.43	0.0	0.0	0.43	0.0	0.0	0.6	0.7	0.2	0.42
0.5	0.0	0.24	0.0	0.0	0.24	0.0	0.0	0.5	0.5	0.3	0.26
0.5	0.0	0.28	0.0	0.0	0.28	0.0	0.7	0.6	0.6	0.3	0.29
24.2	6.0	32.14	4.4	65.7	37.21	25.5	56.9	48.1	60.1	39.5	38.12
16.2	7.8	30.45	5.1	60.0	34.63	20.8	61.7	42.5	64.1	33.6	35.55
18.0	7.3	30.31	4.3	58.7	33.84	18.5	63.5	42.4	57.2	27.4	34.21
7.1	1.2	2.44	0.0	31.0	3.67	3.8	2.7	10.0	14.7	14.7	4.12
5.6	7.4	2.69	0.0	29.5	3.33	2.5	2.0	9.7	15.0	15.7	3.73
2.2	7.9	2.46	12.5	20.7	2.85	0.0	3.2	7.7	12.8	20.1	3.35
9.1	11.3	9.09	16.5	10.7	9.37	4.8	6.8	0.5	2.4	8.3	9.07
6.9	5.5	7.61	12.2	9.2	7.86	3.7	15.8	0.0	3.4	7.4	7.79
6.6	4.5	7.25	8.4	7.4	7.29	2.8	6.2	0.0	2.2	8.2	7.05
50.0	37.9	51.33	62.2	66.9	54.31	14.3	58.9	62.7	9.0	45.4	54.07
42.1	65.9	39.76	44.7	58.6	41.86	15.9	62.2	49.3	9.6	39.8	41.88
38.1	65.8	41.42	55.2	74.4	45.63	22.5	62.4	56.6	16.7	43.5	45.71
72.6	65.2	68.02	66.8	67.7	67.88	0.0	59.5	68.5	0.0	80.3	67.92
67.9	91.2	58.52	43.8	59.5	57.70	0.0	63.6	53.4	0.0	61.2	57.68
73.4	100.0	73.29	65.8	76.9	73.50	20.0	67.8	64.0	0.0	57.7	73.06
0.1	0.0	0.12	0.0	0.1	0.12	0.0	0.0	0.0	0.0	0.0	0.11
0.0	0.0	0.14	0.0	0.1	0.13	0.0	0.0	0.0	0.0	0.0	0.12
0.0	0.0	0.08	0.0	0.2	0.09	0.0	0.0	0.0	0.0	0.0	0.09
10.5	7.0	8.60	9.0	20.0	9.10	3.1	20.1	35.9	41.9	16.5	9.58
10.0	17.5	8.14	10.8	20.0	8.87	2.5	20.7	33.3	32.1	21.3	9.50
9.2	9.2	4.69	1.7	5.1	4.54	0.5	10.4	20.8	20.9	15.4	5.07
29.4	10.8	21.66	10.5	29.8	20.43	5.8	35.8	100.0	99.0	29.6	21.35
27.2	26.8	21.54	12.7	29.4	20.81	5.0	38.5	100.0	83.3	38.8	22.19
19.6	17.2	11.76	2.0	4.8	9.72	0.8	26.5	92.6	50.8	31.8	11.39
4.1	5.1	4.47	5.7	7.4	4.55	3.3	2.1	3.5	3.6	2.9	4.33
4.4	5.0	4.30	5.3	7.0	4.38	2.6	1.6	2.8	2.5	2.6	4.09
7.1	3.9	3.83	5.5	5.8	3.90	1.5	1.8	2.0	1.8	1.6	3.58
3.4	1.0	4.48	27.6	21.5	4.97	1.1	0.5	2.9	7.6	1.7	4.87
2.9	0.0	4.16	18.9	24.0	4.64	1.2	0.5	1.1	9.3	1.6	4.59
1.8	0.3	3.90	18.7	29.7	4.80	1.8	2.5	7.4	7.4	7.2	4.84
3.1	0.0	2.29	0.0	3.3	2.28	1.2	0.0	0.0	1.9	1.5	2.19
4.3	0.0	2.10	0.0	3.6	2.09	0.0	0.0	2.7	0.0	1.6	1.95
2.9	0.0	1.44	0.0	4.5	1.47	0.0	1.4	0.0	0.5	0.7	1.38
5.6	3.1	8.28	47.9	33.6	10.09	2.7	1.6	12.9	7.7	7.6	9.81
5.0	5.5	6.61	34.7	27.8	7.87	3.2	1.6	9.5	7.5	6.9	7.72
4.6	3.6	5.67	26.1	20.2	6.56	3.6	1.8	9.1	6.1	5.6	6.46
11.9	2.9	8.05	13.5	11.3	8.27	3.5	5.0	9.0	8.1	6.7	8.03
11.8	3.2	7.87	9.7	10.9	8.03	3.7	5.4	7.2	8.4	5.9	7.78
10.0	3.0	7.19	6.8	9.9	7.31	3.2	4.8	6.8	7.8	5.4	7.07
753.9	91.2	6529.0	698.3	1029.4	8256.7	20.7	50.8	97.1	106.5	292.7	8824.5
603.9	95.9	5201.9	438.2	836.6	6476.7	25.7	62.8	65.1	108.5	184.2	6923.0
680.9	74.1	5624.6	295.2	703.3	6623.1	31.9	36.4	106.7	108.1	133.5	7039.7
654.1	91.8	5902.8	285.1	646.8	6834.7	26.9	43.1	83.0	117.2	149.8	7254.7
11750.8	452.5	45635.3	953.6	2548.1	49137.0	359.2	345.7	846.2	1502.0	2334.8	54524.9
10803.8	494.8	44270.7	694.9	2557.0	47522.6	424.1	431.6	640.9	1860.8	2006.8	52886.8
10719.7	427.2	47803.2	632.3	2577.9	51013.4	440.8	364.0	909.5	1781.9	2056.3	56565.9
14113.9	401.8	56845.5	581.3	3148.3	60575.1	548.7	514.5	841.9	1893.5	3150.8	67524.5

Appendix table 7--U.S. imports as a share of West European agricultural exports by country, 1984-86 1/

Commodity and year	SITC Codes		European Community						
	Major head-ings	Sub-head-ings	Belgium Luxembourg	France	West Germany	Italy	Nether-lands	Denmark	Ireland
Percent									
Live animals	1984	00	0.1	4.8	2.0	0.0	0.9	4.0	3.7
	1985		0.2	4.8	1.6	7.1	0.7	5.0	5.2
	1986		0.2	1.5	0.8	0.0	0.5	4.8	14.8
Meat and meat preparations	1984	01	1.0	0.3	0.1	0.1	1.5	17.8	0.7
	1985		0.6	0.3	0.1	0.2	1.2	19.5	0.7
	1986		1.3	0.2	0.1	0.1	0.4	16.0	0.2
Dairy products and eggs	1984	02	0.0	2.5	1.2	20.4	1.1	6.9	0.4
	1985		0.0	2.5	0.8	19.2	1.0	7.3	0.5
	1986		0.0	2.3	0.6	15.3	0.9	4.4	0.3
Cereals and cereal preparations	1984	04	0.4	0.1	1.2	4.2	0.8	10.6	0.4
	1985		0.7	0.2	1.8	3.9	1.1	13.8	0.8
	1986		1.0	0.2	1.6	3.9	1.0	12.3	0.7
Wheat and flour	1984	041, 046	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	1985		0.0	0.0	0.0	0.0	0.0	0.0	0.0
	1986		0.0	0.0	0.0	0.0	0.0	0.0	0.0
Rice	1984	042	0.0	0.0	0.0	0.1	0.0	0.0	0.0
	1985		0.0	0.0	0.0	0.1	0.0	0.0	0.0
	1986		0.0	0.0	0.0	0.1	0.0	0.0	0.0
Feed grains	1984	043-045	0.0	0.0	0.0	0.8	0.0	0.0	0.0
	1985		0.0	0.0	0.0	0.3	0.0	0.0	0.0
	1986		0.0	0.0	0.0	0.7	0.0	0.0	0.0
Fruit and vegetables	1984	05	1.7	1.9	8.0	2.3	0.9	0.7	0.7
	1985		2.1	2.2	10.7	3.1	1.1	0.5	0.9
	1986		1.8	1.8	9.1	2.2	1.0	2.1	0.5
Sugar, sugar preparations, and honey	1984	06	0.7	1.3	5.8	10.7	4.5	1.7	1.9
	1985		2.3	1.4	10.0	11.1	5.4	2.1	2.0
	1986		1.4	1.1	8.6	11.3	4.2	1.6	1.3
Coffee, tea, cocoa spices etc.	1984	07	3.9	8.1	10.2	10.5	10.9	2.2	5.0
	1985		3.7	9.1	9.3	11.5	7.7	2.4	6.7
	1986		3.6	9.6	11.5	9.4	6.9	2.3	3.7
Animal feed	1984	08	0.4	0.3	1.5	0.6	0.6	0.1	0.5
	1985		0.9	0.5	2.7	0.1	0.5	0.1	0.5
	1986		0.6	0.4	2.7	0.2	0.3	0.1	0.6
Oilseed cake and meal	1984	0813	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	1985		0.0	0.0	0.0	0.0	0.1	0.0	0.0
	1986		0.0	0.0	0.0	0.0	0.0	0.0	0.0
Wheatmeal and fishmeal	1984	0814	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	1985		0.0	0.0	0.0	0.0	0.0	0.0	0.0
	1986		0.0	1.1	0.0	0.0	0.0	0.0	0.0
Miscellaneous food preparations	1984	09	0.0	4.4	6.0	5.6	2.2	0.3	1.9
	1985		0.0	4.2	3.0	7.5	1.5	5.1	3.4
	1986		0.0	3.8	3.5	6.5	1.7	13.9	1.2

See footnotes at end of table.

Appendix table 7--U.S. imports as a share of West European agricultural exports by country, 1984-86 1/--Continued

Percent											
United Kingdom	Greece	Total EC-10			Total EC-12	Other Western Europe					Total Western Europe
			Portugal	Spain		Austria	Finland	Norway	Sweden	Switzerland	
18.0	0.0	4.49	0.0	3.4	4.48	0.0	3.4	25.0	19.6	1.1	4.39
19.6	0.0	5.22	0.0	2.6	5.21	0.0	0.0	33.3	50.7	0.9	5.23
19.8	0.0	4.70	0.0	1.2	4.68	0.2	0.0	0.0	11.1	1.3	4.60
0.0	0.0	4.37	0.0	0.0	4.35	0.0	3.1	0.0	9.3	2.9	4.36
0.0	0.0	4.63	0.0	0.0	4.61	0.0	2.4	0.0	11.7	8.0	4.63
0.0	0.0	3.46	0.0	0.0	3.44	0.0	3.7	0.0	21.2	8.1	3.57
1.9	23.0	2.21	18.3	6.2	2.24	13.8	20.3	51.3	5.8	10.1	3.23
2.6	25.2	2.21	23.7	3.1	2.23	16.1	23.0	49.6	6.5	9.7	3.23
1.6	26.2	1.68	43.4	1.5	1.72	12.9	20.8	50.0	7.7	6.8	2.51
0.9	0.2	1.15	12.5	6.1	1.18	0.9	24.2	13.6	8.5	4.4	1.61
1.7	0.5	1.61	17.9	3.1	1.64	1.0	6.6	11.6	18.5	5.0	2.12
0.9	0.5	1.48	10.4	2.6	1.50	1.4	13.7	13.7	11.2	4.0	1.75
0.0	0.0	0.00	0.0	0.0	0.00	0.0	0.0	0.0	0.0	0.0	0.00
0.0	0.0	0.00	0.0	0.0	0.00	0.0	0.0	0.0	0.0	0.0	0.00
0.0	0.0	0.00	0.0	0.0	0.00	0.0	0.0	0.0	0.0	0.0	0.00
8.3	0.0	0.09	0.0	0.0	0.08	0.0	0.0	0.0	0.0	0.0	0.08
3.6	0.0	0.08	0.0	0.0	0.07	0.0	0.0	0.0	0.0	0.0	0.07
0.3	0.0	0.09	0.0	0.0	0.08	0.0	0.0	0.0	0.0	0.0	0.08
0.0	0.0	0.02	0.0	0.0	0.02	0.0	30.6	0.0	34.2	0.0	1.34
0.0	0.0	0.02	0.0	0.2	0.02	0.0	8.8	0.0	40.5	0.0	1.72
0.0	0.0	0.03	0.0	0.0	0.03	0.0	18.8	0.0	30.6	0.0	0.75
3.2	2.4	2.20	19.7	9.5	3.84	25.7	1.0	0.0	2.5	16.4	4.03
3.2	2.5	2.85	17.1	10.3	4.36	25.1	0.0	0.0	2.0	16.8	4.53
2.4	2.2	2.34	16.6	7.4	3.48	27.3	0.0	1.8	1.6	11.9	3.66
11.7	2.7	3.77	1.5	29.1	4.24	0.5	6.0	0.0	10.6	7.1	4.32
9.9	7.3	5.19	3.7	27.0	5.69	15.3	8.5	0.0	10.6	8.4	5.87
13.8	5.7	4.77	4.0	11.5	5.05	19.5	12.2	0.0	11.4	10.8	5.46
8.5	8.5	9.03	15.0	14.3	9.18	4.5	8.7	1.9	7.7	16.1	9.38
7.7	10.4	7.91	26.7	13.2	8.07	5.7	6.7	1.3	8.3	17.2	8.38
6.2	10.4	8.03	20.8	9.9	8.08	6.2	18.8	1.7	13.3	18.2	8.66
0.8	0.0	0.70	0.7	0.0	0.65	0.0	0.0	1.3	0.0	0.0	0.67
4.6	0.0	1.31	1.2	0.0	1.26	0.0	0.0	2.1	0.0	0.0	1.27
1.2	0.0	1.02	3.4	0.0	1.02	0.0	0.0	4.1	0.0	0.3	1.07
0.0	0.0	0.00	0.0	0.0	0.00	0.0	0.0	0.0	0.0	0.0	0.00
0.0	0.0	0.04	0.0	0.0	0.04	0.0	0.0	0.0	0.0	0.0	0.04
0.0	0.0	0.00	0.0	0.0	0.00	0.0	0.0	0.0	0.0	0.0	0.00
0.0	0.0	0.00	0.0	0.0	0.00	0.0	0.0	0.1	0.0	0.0	0.02
7.7	0.0	0.07	0.0	0.0	0.07	0.0	0.0	0.2	0.0	0.0	0.09
2.1	0.0	0.13	0.0	0.0	0.13	0.0	0.0	0.8	0.0	0.0	0.19
4.1	9.6	2.99	2.0	3.1	2.99	1.6	0.0	0.7	0.8	18.7	3.89
4.7	10.8	3.03	4.0	3.6	3.04	0.5	0.0	1.5	1.1	16.7	3.77
4.0	7.4	3.25	2.5	4.0	3.26	0.7	0.0	1.1	2.0	15.5	3.90

Appendix table 7--U.S. imports as a share of West European agricultural exports by country, 1984-86 1/--Continued

Commodity and year	SITC Codes		European Community						
	Major head-ings	Sub-head-ings	Belgium Luxembourg	France	West Germany	Italy	Nether-lands	Denmark	Ireland
Percent									
Beverages	1984	11	1.0	22.5	30.7	34.9	42.2	4.2	39.9
	1985		1.3	22.9	28.6	32.6	46.3	3.2	38.3
	1986		0.8	19.0	24.2	29.5	47.3	3.7	31.1
Nonalcoholic	1984	111	0.3	20.6	5.2	8.3	0.1	1.4	0.0
	1985		0.6	26.4	6.0	13.7	0.3	2.3	1.6
	1986		0.5	19.0	4.0	17.1	0.4	2.4	3.4
Wine	1984	1121	2.2	21.4	28.4	35.5	1.1	0.0	0.0
	1985		2.1	21.2	25.5	32.7	1.1	0.0	0.0
	1986		0.9	17.7	20.0	28.9	2.8	0.0	0.0
Tobacco, unman- ufactured	1984	121	0.0	0.4	9.9	8.0	0.5	3.6	0.0
	1985		0.0	1.4	7.7	6.1	0.6	0.0	0.0
	1986		7.1	1.0	7.6	6.0	0.3	0.0	0.0
Tobacco, manu- factured	1984	122	0.1	0.0	0.2	0.0	0.4	11.0	11.3
	1985		0.0	0.0	0.9	9.6	0.3	9.8	10.2
	1986		0.0	0.0	0.1	4.4	0.3	6.8	9.9
Hides, skins, and furs, undressed	1984	21	0.1	0.8	0.3	1.0	2.0	16.7	0.0
	1985		0.1	0.7	0.4	0.7	0.5	15.5	0.0
	1986		0.2	0.4	0.7	0.3	0.2	12.5	0.0
Oilseeds, oil, nuts, and oil kernels	1984	22	0.0	0.0	0.5	3.7	2.1	0.0	0.0
	1985		0.0	0.0	0.2	6.7	1.1	0.0	0.0
	1986		0.0	0.0	0.1	0.0	1.2	0.0	0.0
Natural rubber	1984	2311	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	1985		0.0	0.0	0.0	0.0	0.0	0.0	0.0
	1986		0.0	0.0	1.8	0.0	0.0	0.0	0.0
Natural fibers	1984	261-	3.2	0.8	0.2	0.5	1.1	0.0	0.0
	1985	265	3.7	0.4	0.3	0.3	1.0	0.0	0.0
	1986		3.6	0.4	0.2	0.5	1.7	0.0	0.0
Crude animal & veg. matls. not elsewhere spec.	1984	29	1.2	10.8	6.7	3.6	7.4	2.6	0.6
	1985		0.9	9.7	6.6	3.0	8.1	3.3	0.3
	1986		0.8	8.0	6.1	4.6	6.7	2.5	0.3
Agricultural fats and oils	1984	4	0.0	0.4	0.3	13.3	2.0	0.4	0.0
	1985		0.0	0.7	0.3	14.1	1.9	0.6	0.0
	1986		0.0	0.7	0.2	17.7	1.7	0.5	0.0
Animal and vege- table oils and fats, processed	1984	431	0.0	0.2	0.4	0.0	0.0	0.0	0.0
	1985		0.0	0.0	0.5	0.0	0.0	0.0	0.0
	1986		0.0	0.3	0.4	0.0	0.0	0.0	0.0
Total agricul- tural (percent)	1984		0.9	5.0	4.7	9.6	3.9	10.9	4.4
	1985		1.1	5.4	5.0	9.3	3.8	12.0	4.9
	1986		1.1	4.8	4.6	8.0	3.6	10.0	4.7
Total exports (percent)	1984		6.1	8.1	9.6	10.9	5.0	9.6	9.7
	1985		6.3	8.6	10.4	12.3	5.2	10.1	9.8
	1986		5.2	7.4	10.4	10.7	4.7	8.4	8.7
Total U.S. agricul- tural imports 3/ (Million Dollars)	1984		57.8	622.6	535.7	540.4	609.7	512.9	98.8
	1985		76.3	705.8	614.1	542.5	614.5	610.2	113.0
	1986		110.6	757.3	639.0	542.8	688.6	652.7	136.8
	1987		96.2	710.5	593.5	600.4	692.4	637.3	131.8
Total U.S. imports 3/ (Million Dollars)	1984		3122.4	7944.8	16949.9	7884.1	4053.1	1416.9	832.4
	1985		3375.0	9336.9	20330.3	9632.3	4067.7	1656.6	893.6
	1986		3972.5	9965.7	25302.9	10504.9	4057.0	1757.6	997.7
	1987 2/		4170.9	10730.2	27069.3	11039.6	3963.6	1778.6	1111.5

-- = None or negligible.

1/ Intra-EC trade included in data. 2/ U.S. Bureau of the Census, Preliminary data. 3/ UN and USDA numerical totals may or not be comparable due to differences in product categories, transshipments, and timing of shipments.

Sources: UN Trade Statistics 1982-1986. SITC is the Standard International Trade Classification revised.
USDA/ERS/FATUS, several issues.

Appendix table 7--U.S. imports as a share of West European agricultural exports by country, 1984-86 1/--Continued

		Total EC-10			Total EC-12	Other Western Europe					Total Western Europe
United Kingdom	Greece		Portugal	Spain		Austria	Finland	Norway	Sweden	Switzerland	
Percent											
31.1	11.3	27.91	13.1	17.4	27.06	3.6	25.8	31.6	61.0	27.8	26.95
30.8	8.5	27.47	10.8	14.6	26.45	3.4	21.5	32.6	53.1	28.3	26.35
25.8	7.2	23.57	9.8	15.3	22.81	3.5	19.1	25.0	52.7	26.8	22.80
0.4	0.0	6.44	37.5	2.1	6.45	0.0	0.0	0.0	11.8	28.7	7.45
1.4	0.0	9.88	21.7	3.0	9.89	0.9	0.0	9.1	11.1	33.1	10.59
10.8	0.0	8.07	30.0	3.4	8.09	0.7	0.0	5.0	11.3	31.6	8.78
61.7	10.8	26.46	12.9	16.0	24.85	4.3	0.0	0.0	0.0	11.9	24.69
60.8	7.6	25.03	10.4	13.3	23.32	3.4	0.0	0.0	0.0	7.9	23.18
40.1	6.6	20.18	9.5	14.7	19.13	4.4	0.0	0.0	0.0	5.3	19.10
0.0	23.0	12.28	0.0	13.8	12.29	0.0	0.0	0.0	0.0	1.0	11.55
3.4	22.2	11.13	0.0	11.1	11.12	0.0	0.0	0.0	0.0	0.4	10.33
0.5	30.2	14.70	42.9	0.0	14.66	0.0	0.0	0.0	0.0	0.3	13.68
1.3	0.0	1.04	0.0	40.8	1.19	0.0	0.0	1.4	50.3	0.2	1.56
1.3	0.0	1.14	0.0	18.4	1.18	0.0	0.0	1.6	50.3	0.4	1.54
1.8	0.0	0.89	0.0	16.0	0.96	0.0	0.0	0.0	46.0	0.2	1.25
1.5	0.5	3.91	0.0	0.0	3.87	0.0	17.1	9.4	1.5	0.2	5.43
2.7	0.3	3.92	1.6	0.6	3.88	0.0	15.2	6.1	1.1	0.2	4.99
2.4	0.0	3.31	0.0	0.0	3.26	0.0	13.6	3.2	0.8	0.2	4.20
0.1	9.1	0.29	0.0	0.0	0.29	0.0	0.0	0.0	0.5	0.0	0.29
0.0	0.0	0.09	0.0	2.7	0.10	0.0	0.0	0.0	0.0	0.0	0.10
0.3	0.0	0.14	0.0	0.0	0.14	0.0	0.0	0.0	0.0	0.0	0.14
9.1	0.0	1.98	0.0	0.0	1.98	0.0	0.0	0.0	0.0	0.0	1.93
0.0	0.0	0.00	0.0	0.0	0.00	0.0	0.0	0.0	0.0	0.0	0.00
11.1	0.0	2.15	0.0	0.0	2.07	0.0	0.0	0.0	0.0	0.0	1.98
5.5	0.0	2.08	0.0	0.4	2.01	0.0	0.0	0.0	0.0	0.0	3.81
5.5	0.0	2.02	0.0	0.0	1.92	0.0	0.0	0.0	0.0	0.6	3.69
5.0	0.0	1.96	0.0	0.0	1.88	0.0	0.0	0.0	0.0	0.6	1.84
12.1	16.1	6.72	0.0	11.5	6.84	0.0	3.9	1.6	6.4	1.3	6.72
11.6	14.1	6.96	0.0	13.4	7.14	0.0	6.3	0.9	12.3	1.9	7.08
9.1	14.2	5.98	0.0	14.0	6.20	0.5	1.6	2.8	9.9	1.3	6.14
0.8	0.6	1.78	1.0	3.6	1.97	0.0	0.0	2.1	3.5	0.0	1.97
1.5	1.0	2.04	1.3	3.5	2.19	0.0	0.0	2.7	2.4	0.6	2.18
3.6	0.8	2.79	3.4	5.0	3.02	0.0	0.0	11.4	5.0	2.3	3.17
0.5	0.0	0.20	24.2	0.0	0.29	0.0	0.0	1.3	0.0	0.0	0.32
0.4	0.0	0.23	40.7	0.0	0.36	0.0	0.0	1.1	0.3	0.0	0.38
4.6	0.0	0.49	150.0	0.0	0.62	0.0	0.0	0.9	0.0	2.4	0.60
9.7	4.6	5.55	9.6	8.9	5.74	5.6	15.7	9.2	8.2	10.4	5.95
10.3	4.7	5.90	9.0	9.1	6.07	6.4	12.5	9.4	11.6	10.5	6.27
8.6	5.6	5.22	10.3	7.8	5.38	6.7	13.0	12.1	10.9	9.4	5.58
14.5	8.3	9.48	8.8	9.5	9.48	4.1	8.1	5.1	11.4	9.9	9.31
14.8	8.1	10.11	9.2	9.9	10.10	4.7	6.2	5.1	11.7	10.4	9.86
14.2	7.1	9.34	7.0	9.1	9.31	4.0	5.4	5.4	11.4	9.5	9.13
181.8	81.4	3241.1	57.4	306.4	3604.9	46.1	115.1	42.7	58.7	109.6	3977.1
215.8	81.0	3573.2	51.9	316.7	3941.8	52.5	103.0	36.5	94.3	104.6	4332.7
201.1	87.9	3816.8	58.3	324.7	4199.8	52.8	97.8	36.9	83.9	107.7	4578.9
178.6	93.5	3734.2	61.9	360.8	4156.9	56.1	93.3	46.0	72.8	99.8	4524.9
14324.5	348.3	56876.4	476.5	2369.4	59722.3	713.4	786.2	1906.8	3237.5	3089.3	69455.5
14816.4	397.6	64506.4	543.5	2503.0	67552.9	831.7	892.4	1163.9	4118.5	3427.6	77987.0
15312.8	389.0	72260.1	551.0	2672.1	75483.2	840.4	905.1	1077.3	4410.5	5187.1	87903.6
17341.3	480.1	77685.1	664.3	2838.7	81188.1	929.0	999.4	1404.3	4758.4	4249.2	93528.4

Appendix Table 8: EC support prices in European Currency Units 1/

	1984/85		1985/86		1986/87		1987/88		1988/89 -(Proposed)	
	Price	Percent change	Price	Percent change	Price	Percent change	Price	Percent change	Price	Percent change
	ECU/MT	%	ECU/MT	%	ECU/MT	%	ECU/MT	%	ECU/MT	%
Common soft wheat:	182.73	-1.0	179.44	-1.8	179.44	0.0	179.44	0.0	179.44	0.0
Spain	NA	NA	NA	NA	172.58	NA	173.72	0.7	174.86	0.7
Durum wheat:	312.08	0.0	312.08	0.0	299.60	-4.0	291.59	-2.7	276.34	-5.2
Spain	NA	NA	NA	NA	211.06	NA	219.78	4.1	221.90	1.0
Barley:	182.73	-1.0	179.44	-1.8	170.47	-5.0	170.47	0.0	170.47	0.0
Spain	NA	NA	NA	NA	156.53	NA	158.85	1.5	161.17	1.5
Corn:	182.73	-1.0	179.44	-1.8	179.44	0.0	179.44	0.0	179.44	0.0
Spain	NA	NA	NA	NA	172.58	NA	173.72	0.7	174.86	0.7
Rice (unhusked):	314.19	2.5	314.19	0.0	314.19	0.0	314.19	0.0	314.19	0.0
Spain	NA	NA	NA	NA	248.88	NA	259.76	4.4	270.64	4.2
Sugar beets:	40.89	0.0	40.89	0.0	40.89	0.0	40.89	0.0	40.89	0.0
Spain	NA	NA	NA	NA	NA	NA	47.98	NA	47.98	0.0
Portugal	NA	NA	NA	NA	NA	NA	43.72	NA	43.72	0.0
White sugar:	534.70	0.0	541.80	1.3	541.80	0.0	541.80	0.0	541.80	0.0
Spain	NA	NA	NA	NA	627.80	NA	627.80	0.0	627.80	0.0
Portugal	NA	NA	NA	NA	501.20	NA	510.00	1.8	518.80	1.7
Olive oil:	2,276.20	-1.0	2,276.20	0.0	2,162.40	-5.0	2,162.40	0.0	2,162.40	0.0
Spain	NA	NA	NA	NA	NA	NA	1,448.10	NA	1,550.10	7.0
Portugal	NA	NA	NA	NA	NA	NA	2,017.20	NA	2,037.90	1.0
Rapeseed:	429.20	-1.0	421.50	-1.8	421.50	0.0	407.60	-3.3	407.60	0.0
Spain	NA	NA	NA	NA	NA	NA	360.00	NA	366.00	1.7
Portugal	NA	NA	NA	NA	NA	NA	407.60	NA	407.60	0.0
Sunflowerseed:	532.70	-1.0	524.70	-1.5	534.70	1.9	534.70	0.0	534.70	0.0
Spain	NA	NA	NA	NA	NA	NA	396.70	NA	414.00	4.4
Portugal	NA	NA	NA	NA	NA	NA	534.70	NA	534.70	0.0
Soybeans:	501.70	1.5	506.70	1.0	506.70	0.0	489.40	-3.4	489.40	0.0
Spain	NA	NA	NA	NA	NA	NA	358.00	NA	374.40	4.6
Portugal	NA	NA	NA	NA	NA	NA	489.40	NA	489.40	0.0
Beans and field beans:	289.00	-1.0	273.50	-5.4	276.20	1.0	248.60	-10.0	248.60	0.0
Dried fodder:	177.15	-1.0	178.92	1.0	178.92	0.0	178.92	0.0	178.92	0.0
Spain	NA	NA	NA	NA	NA	NA	156.86	NA	161.27	2.8
Portugal	NA	NA	NA	NA	NA	NA	178.92	NA	178.92	0.0
Fruits and vegetables: 2/	-1.0 to +2.0		-3.0 to +1.0		0.0 to +1.0		-5.0 to -0.0			0.0
Tobacco (raw): 2/	-3.0 to +2.0		-2.5 to 0.0		-6.0 to 0.0		-6.0 to +5.0		-8.0 to +2.0	
Cotton:	894.40	1.5	912.30	2.0	912.30	0.0	912.30	0.0	912.30	0.0
Wine (Type R1):	3.42	-1.0	3.42	0.0	3.42	0.0	3.35	-2.0	3.35	0.0
Spain	NA	NA	NA	NA	NA	NA	2.28	NA	2.49	9.2
Milk target price:	274.30	-1.0	278.40	1.5	278.40	0.0	278.40	0.0	278.40	0.0
Butter:	3,197.00	-10.6	3,132.00	-2.0	3,132.00	0.0	3,132.00	0.0	3,132.00	0.0
Spain	NA	NA	NA	NA	NA	NA	3,436.00	NA	3,391.30	-1.3
Skimmed milk powder:	1,658.80	10.9	1,740.40	4.9	1,740.40	0.0	1,740.40	0.0	1,740.40	0.0
Spain	NA	NA	NA	NA	NA	NA	2,319.60	NA	2,260.40	-2.6
Cheese (6 months)	4,727.50	5.8	4,803.30	1.6	4,803.30	0.0	4,803.30	0.0	4,803.30	0.0
Beef & veal:										
(Carcass weight)	3,500.00	-1.0	3,500.00	0.0	3,440.00	-1.7	3,440.00	4/ 0.0	3,440.00	0.0
Pork:	2,033.30	-1.0	2,033.30	0.0	2,033.30	0.0	2,033.30	0.0	2,033.30	0.0
Sheep meat:	4,280.40	-1.0	4,323.20	1.0	4,323.20	0.0	4,323.20	0.0	4,323.20	0.0
Exchange rate 3/	Year									
ECU/US\$	1984		1985		1986		1987		1988	
	1.27		1.31		1.02		0.87		0.81	

NA = Not applicable.

1/ Generally intervention prices or target prices tied to intervention purchasing mechanisms. When measured in the national currencies in which farmers are actually paid, the percent changes in prices vary widely among countries because of the effects of changes in MCA's and rates of currency exchange. 2/ Range of percentage changes for various products. 3/ Calendar year exchange rate, since all EC commodities have different marketing years, 1988 - (January to April) 4-months average. 4/ Beginning April 6, 1987, the role of the intervention price in intervention purchasing is changed by new regulation.

Prices shown are all EC members unless otherwise noted. With Spain and Portugal's accession in 1986, transition measures result in different prices for some commodities than in the rest of the EC.

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GLOSSARY

African, Caribbean, and Pacific States (ACP's). Participating in the Lome Convention that regulates economic relations between these countries and the European Community.

Automatic Stabilizers. Price cuts when production of grains, oilseeds and other products exceed specified ceilings, called Maximum Guaranteed Quantities (MGQs)

Common Agricultural Policy (CAP). The unified farm policy applied by EC members. The CAP deals with agricultural prices, structural improvements to agriculture, and internal and external agricultural trade.

Common Customs Tariff (CCT). The EC's list or schedule of articles of merchandise with the rate of duty to be paid for their importation from nonmember or "third" countries.

European Community (EC). Also referred to as the Community. An economic customs union originally composed of six members--Belgium, Luxembourg, France, Italy, West Germany, and the Netherlands. Denmark, Ireland, and the United Kingdom (U.K.) joined the EC January 1, 1973; Greece joined January 1, 1981. EC-10 refers to the Community of 10 members, before the accession of Spain and Portugal in 1986; EC-12 refers to the present Community of 12.

European Currency Unit (ECU). The core of the EMS, the ECU serves as the monetary denominator for the exchange rate, credit, and intervention mechanisms of the EMS. On April 9, 1979, the ECU became the standard

value for transactions within the CAP including the determination of support prices, import levies, and export subsidies. The value of the ECU is calculated from a weighted basket of all EC-10 member currencies, identical to the basket used for the EUA and equal to an average of \$1.23 during January - April, 1988.

European Monetary System (EMS). A common monetary arrangement for the Community, implemented in March 1979. It includes credit mechanisms and compulsory intervention to ensure greater stability of European exchange rates.

General Agreement on Tariffs and Trade (GATT). An agreement negotiated in 1947 among 23 countries, including the United States, to increase international trade by reducing tariffs and other trade barriers. In 1987, 94 countries belonged to the GATT.

Green Currency (e.g., green pound, green lira)--Indicates the use of green (agricultural) rates of exchange for CAP purposes.

Green Rate of Exchange. The exchange rate used to convert ECU's into national currencies (and vice versa) in all financial and commercial transactions covered by the CAP.

Inward Processing System. An arrangement that permits EC manufacturers of a processed good to import a third countries' raw materials, free of duties, levies, and MCAs, provided the processed product is exported within 6 months.

Maximum Guarantee Quantity (MGQ). Production ceilings beyond which automatic price cuts (stabilizers) go into effect.

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Measures. The metric system is used in this report, unless otherwise indicated. The following are conversions to the U.S. system of weights and measures: 1 hectare, 2.471 acres; 1 metric ton, 2204.6 pounds; 1 kilogram, 2.2046 pounds; 1 liter, 1.0567 quarts; and 1 hectoliter, 26.418 gallons.

Monetary Compensatory Amounts (MCAs). Border taxes or subsidies that offset the divergence between the green rate of exchange and the actual market rate of exchange. For those countries in which currencies have depreciated, MCAs (negative MCAs) act as subsidies on imports and taxes on exports. For those countries in which currencies have appreciated, MCAs (positive MCAs) act as taxes on imports and subsidies on exports.

Section 301. This section of the Trade Agreements Act of 1974 (amended) provides authority to respond to unfair trade practices that restrict U.S. trade by countries who have signed trade agreements with the United States. Responses may include rescinding trade concessions or imposing compensatory duties or fees on products imported from the country engaging in unfair trade practices.

Set-asides. A proposed mechanism for limiting supply by removing agricultural land from production.

Threshold Price. A minimum import price set by the EC under the CAP for certain commodities. Certain imports from nonmember countries are subject to a levy which is equal to the difference between the threshold price and the minimum world price at EC ports.

Unit of Account (U.A.). Prior to April 9, 1979, the standard value used by the EC for transactions within the CAP. In mid-March 1979, the agricultural unit of account was equal to about \$1.60. A different unit, called the European unit of account (EUA), was introduced in 1975. Its value in relation to the dollar is announced daily, and it is generally worth more than the agricultural unit of account.

Value-Added Tax (VAT). A tax levied by each EC member country on domestic consumption. Prior to 1988 agreements by EC heads of state, EC member country contributions to the EC budget were 1.4 percent of the VAT base.